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International Affairs

Foreign Ministry Paper Links ODA, Democracy

OW0910135190 Tokyo THE JAPAN TIMES in English 6 Oct 90 pp 1, 3—FOR OFFICIAL USE ONLY

[Text] Japan must extend more official development assistance [ODA] to Eastern Europe and to nations affected by Iraq's invasion of Kuwait in order to play a role in establishing a new world order, according to a Foreign Ministry report released Friday.

The Foreign Ministry's annual white paper on ODA says Japanese aid should play an important part in establishing global security by helping East European nations achieve democracy and by disbursing funds to nations affected by Iraq's invasion of Kuwait. It is the first time an ODA report has directly linked the nation's aid to a political value, namely democracy. And while it does not recommend that democracy be considered a condition for a country to receive ODA, ministry officials said that countries' attempts to democratize will be "taken into account" more than before. The report also states, "Japan will seek more involvement in the economic and social piolicies (of aid recipients) by way of political dialogue.

Re-evaluation Possible

Japan's primarily apolitical ODA values may have to be re-examined in the near future, given the rapidly changing global environment, the report says. But the ministry will basically continue to distribute aid on an as-requested basis and in accordance with its basic goal of using ODA to advance "humanitarian considerations" and "recognition of interdependence," officials said.

"We, as a nation which supports liberty and democracy as its basic values, should consult an international framework to help promote democracy and full support with aid countries making efforts to democratize," the report states.

Officials said the Tiananmen Square incident in China last year as well as the brutal Myanmar [Burmese] military crackdown on demonstrators in September 1989 prompted the white paper's reference to democratization. "We want to tell the people and governments of recipient countries that we will support their democratization," said one official, since a failure to do so affects Japanese aid "directly and indirectly."

The reference to Japan's need to participate in an "international framework" is meant to indicate to the United States that it is now easier for Japan to cooperate with America in the international theater, he explained. Japan had been criticized for providing aid to countries only at the bidding of the United States, the official said, but that criticism seems to have subsided.

The report hints at the importance of aid to countries affected by Iraq's recent military moves by referring to Japan's recent commitment to provide emergency aid to those nations. Japan became the top donor of overseas development assistance in terms of actual disbursement for the first time in fiscal 1989 by providing $8.97 billion in aid. But it ranked 12th in the 18-nation Development Assistance Committee of the Organization for Economic Cooperation and Development interms of the percentage of its gross national product allocated to foreign aid.

Japan came in last for grants, with such contributions accounting for only 43.3 percent of its ODA funds. Only about 0.32 percent of the country's GNP was allocated for ODA in fiscal 1989, which means each citizen donated $74.50 to the nation's foreign aid program during the fiscal year, the report says.

Largest ODA Donor

Japan replaced the United States in 1988 as the world's largest ODA donor in terms of budget spending, but not in actual disbursement, when it provided $9.1 billion in aid. The slight decrease in Japan's net disbursement between the two fiscal years reflects the weakening of the yen, not a drecrease in the actual amount provided in terms of yen, officials said.

The Foreign Ministry has asked for just over $10 billion for its fiscal 1990 ODA budget, officials said. Japan pledged in June 1988 to increase its aggregate amount of ODA between 1988 and 1992 to more than $50 billion or twice the amount of ODA it disbursed in the preceding five years.

ODA was the fastest growing of all government budget items during the 1980s, followed next by defense expenditures, the report shows.

African nations increased in 1989 to account for 15.3 percent of all aid. Asian countries, which received 62.5 percent of all funds disbursed, remained the greatest recipients of aid from Japan.

This year's report, for the first time, calls for more ODA for the international fight against illegal narcotics. Other areas where ODA could play an important role are disaster relief, health care, refugee relief and environmental problems.

Rebutting Criticism

The Foreign Ministry devoted a section of the paper to refuting popular criticism of ODA. The ministry defended its philosophy of providing aid for "humanitarian considerations" and "recognition of interdependence." "America disburses aid in accordance with the principles of freedom and democracy, and France uses aid to spread its culture," the report reads. "Our country will try to avoid imposing political or economic values on the recipient country, and evaluate what kind of projects to sponsor based on requests from the recipients."

At the same time, the report calls for more national discussions on the philosophy of ODA and suggests traditional philosophy may change if necessary to participate in international cooperative efforts.

The report refutes the argument that Japanese ODA is based on commercial interests by pointing out that 80.5 percent of yen loans made in 1989 were united and only 38 percent of the projects involved procurements from Japanese companies.

Some suggestions for improving the quality of ODA include more emphasis on humanitarian aid, especially to impoverished nations. The paper says improvements in humanitarian aid could take the form of improved health care cooperation, the formation of an emergency rescue team for disaster relief and greater refugee relief measures. ODA should also be increasingly used to tackle global problems by cooperating with other nations in environmental preservation and providing aid to solve population problems.

To increase popular understanding of ODA, the report calls for an increase in funds allocated to nongovernmental organizations, education projects and for informing the public about ODA activities in recipient countries, according to the report.

In a related announcement, the Foreign Ministry said the total flow of financial resources from Japan to developing countries in fiscal 1989, which ended last March 31, amounted to $24.13 billion on a net disbursement basis, a 12.6 percent increase over the previous fiscal year. The figure represents ODA disbursements plus other official flows, private flows and grants by private voluntary agencies. Japan's share in the total net flow of world resources to developing countries was 22.1 percent, compared to 23.1 percent in fiscal 1988, according to the report.

Japan has been the world's largest provider of financial resources since fiscal 1987, when it launched a new financial resources recycling program, the report says.

DSP Chairman Gives Interview on Sending SDF

OW1410215790 Tokyo ASAHI SHIMBUN in Japanese 9 Oct 90 Morning Edition p 2—FOR OFFICIAL USE ONLY

[Interview with Democratic Socialist Party Chairman Keigo Ouchi by unidentified ASAHI SHIMBUN correspondent on the question of sending Self-Defense Forces members to the Gulf area; place and date not given]

[Text] [Correspondent] Will you comment on what the Diet extraordinary session beginning on 12 October will do?

[Ouchi] Central issues at the Diet will be Japan's role in the Iraq and Kuwait situation and also Japan role in connection with establishing a new international order of peace following conciliation between the United States and the Soviet Union. Now the United Nations has been freed from boycotts by big powers, there are the questions of whether Japan should be a supporter of the United Nations, a destroyer of it, or an escapist from it. Japan now is being asked sternly to explain roles it would perform as an economic power, an international nation, and a country that respects the UN, as it professes to be.

[Correspondent] Are you for or against the UN peace cooperation bill?

[Ouchi] It is still too early to say yes or no. In general, I have a favorable view of it, because I consider it to follow the direction we have established. While the government was still groping in the dark, I pointed out a need to send people, including Self-Defense Forces [SDF] personnel. I said: "We must not take the position of buying peace with money." I am talking about dispatching people for medical, transportation, and communications services, or for such other activities as arms surveillance. This should not lead to dispatching troops overseas. If we do not participate with personnel, we will come to have our money taken away very thoroughly. Tax money collected from the people will begin to be pumped out of the country.

[Correspondent] What is the significance of sending SDF members?

[Ouchi] The international appraisal of what cooperation was made to the UN functions of peacekeeping will be measured by the degree of participation by government agency people. Sending SDF personnel or including SDF personnel in an organization to be sent would symbolize the participation of Japan. This would have a different meaning from that of sending civilian volunteers. Most desirable would be if they were part or constituent members of a cooperation force. That would work as a brake on the possibility of the action opening up a way for troops to be sent overseas. Hence, it would be better if they were not armed in principle and did not carry even small arms or other weapons.

[Correspondent] However, once a war breaks out, it will be difficult to distinguish front line areas from rear areas. You mentioned transportation. Will the transportation of weapons and ammunition be acceptable?

[Ouchi] Combat operations at a front line and support operations in a rear area are integral. It would be difficult to distinguish them. Boundaries of actions need to be defined specifically, but they cannot be discussed at this stage.

[Correspondent] Is there no possibility this would lead to sending troops overseas?

[Ouchi] People have bitter memories of the past war. We have to attach importance to the people's concern. However, present-day Japan has a system to put on the brakes. It is the power of the people and the existence of the Diet and political parties. In addition, there are very influential trade unions and mass media. There are also democratic organizations. If all these cannot be trusted, the wisdom of human beings cannot be trusted. We must not think on the level of the pre-war days. If we cannot trust the checking functions of present-day Japan, we cannot take an action befitting an international country.

[Correspondent] How do you view government actions regarding the Iraqi question?

[Ouchi] Simply put, they are "too little, too late." Half a month after the conflict broke out, Foreign Minister Nakayama went on a tour of the frontline countries "to hear their views." A contribution plan was finalized a month later. When this plan encountered strong reactions, a support fund of $1 billion was announced in haste the following day. The U.S. House of Representatives then passed a resolution calling on Japan to bear all costs of maintaining U.S. forces in Japan. Two days later, the government, as though intimidated by this U.S. attitude, came up with a second part of its support in the amount of $3 billion. That is how the government does things.

[Correspondent] What do you think the government should do hereafter?

[Ouchi] What is more important than the so-called contribution plan is what actions Japan should take to help the conflict be resolved peacefully. The government lacks the active willingness to do it. Prime Minister Kaifu should meet in person with Iraqi President Husayn and present a proposal for a peaceful solution. Japan has a voice to the United States as well as Iraq, and hence can be a mediator. We opposition political parties can help him in that regard.

[Correspondent] In the upper house of the Diet, the opposition camp holds a majority over the government party. Under such conditions, it is expected the bill will undergo very rough sailing to get passed.

[Ouchi] The bill must be passed. This is necessary to decide the role Japan should carry out internationally. There may be a sort of compromise for the bill to be passed. I believe our conscience will come to be displayed in approving it, and I would like to make efforts toward it. It is important to define and make clear to the people of Japan and the world that we "can act up to a certain point" and we "will not go beyond this point" in our actions.

[Correspondent] The great wave of change is now hitting even the Korean peninsula.

[Ouchi] Nations are coming to realize that no one nation can live in peace, prosperity, and security when isolated. Should Japan's relations with the Soviet Union and North Korea be normalized, elements of instability in the Far East will be removed. Japan has great responsibilities. One must have the willingness to help a neighbor in need. Otherwise, the neighbor will not give back an answer he wants. Still, there have to be basic principles before this. Where the northern territories question is concerned, it is a must that all four islands should be returned together simultaneously. As far as compensation to the DPRK is concerned, it never can be allowed to include the part for the 45 years after the war.

AKAHATA Warns of Danger of Mideast War

OW0510105790 Tokyo JPS in English 0918 GMT 5 Oct 90—FOR OFFICIAL USE ONLY

[Text] Tokyo Oct 5 JPS—Fear of war in the Middle East is spreading. AKAHATA in an editorial on October 5, entitled "Spreading Uneasiness Over the Mideast Crisis" said that it opposes war and to resolve the question without war. It says (in gist):

"Uneasiness is spreading. In the Gulf, the crisis has deepened following the Iraqi invasion of Kuwait, the military build-up, the multinational force centering on the U.S. on the one hand, and the Iraqi forces on the other, is continuing. If military force is used, there is the possibility of it developing into war involving whole the world.

"We are standing at a crossroads, as the overseas dispatch of the Self-Defense Forces [SDF] is forcibly being put into practice, at a time when the possibility of a military clash in the Gulf is being talked about.

"The fear of the people of Japan and the world comes from the illegal deeds of Iraq, which has "annexed" by arms a neighboring country, and is responding to world criticism of its actions by blackmail, by holding civilians as "hostages" and hinting at the use of poison gas.

"The United States of America has deviated from its first claim that it would prevent an Iraqi invasion, and at the request of Saudi Arabia, has sent a big force to the Gulf area. Not only the scale of the expeditionary force but U.S. aim have created serious danger. U.S. President Bush, in his recent speech in the United Nations, expressed the hope that the situation is settled without the use of arms, but repeatedly hinted at the possibility of the U.S. resorting to military means. He said that the U.S. forces have a free hand.

"The Japanese people must take it seriously that dispatch of the SDF and other "contributions to the settlement of the Mideast question" by the Kaifu cabinet are only cooperation with U.S. forces in preparation for war. "The U.S. preparations for military action against Iraq have nothing to do with the U.N. resolutions. Originally, the purpose of the United Nations was "to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace" (Article 1, Charter of the United Nations). Peaceful settlement by collective means is the way it seeks until the last.

"What is now required is to thoroughly implement the non-military measures decided by the U.N. Security Council. "In the economic sanctions field, there are many things still to be completely accomplished. The

Soviet Union still has nearly 150 military advisers, as well as a large number of engineers, stationed in Iraq. Some other countries, which are taking part in economic sanctions, continue economic activity inside Iraq. There are many gaps in the economic sanctions, and it is essential to close these gaps to make the sanctions effective.

"The Japanese Government should not tamely accept U.S. demands for war preparations, but should work on the U.S. to stop their action as this could throw the world into great confusion by rejecting U.N. control, and to concentrate its efforts for a peaceful settlement based on the U.N.

"On the Middle East question, the Japanese Communist Party [JCP] has demanded (1) to seek a settlement not by arms but by encircling Iraq, the aggressor, by international public opinion and movement, (2) to make economic sanctions more effective, (3) to strengthen U.N. centered aid to those countries which have been affected by the economic sanctions against Iraq, and (4) to drastically increase the measures for relief of refugees.

"At this time when there is an imminent danger of war, the proposals of the JCP are increasing in significance and reality".

Article Says Debate on SDF Becomes 'Irrational'

WA28090558 Tokyo ASAHI JOURNAL in Japanese 7 Sep 90 pp 20-22—FOR OFFICIAL USE ONLY

[Article by Teruo Nishimae, ASAHI JOURNAL staff writer: "Escalating Debate on Dispatching SDF Irrational"]

[Text] Taku Yamasaki, former director of the Defense Agency and acting chairman of Liberal Democratic Party [LDP] Security Affairs Research Council, upholds his "logic" regarding the dispatching of the Self-Defense Forces [SDF]. He said: "The Americans cannot tolerate Japan for trying to pay the American forces, which may shed blood in the Gulf, while the Japanese are enjoying peace, security, and prosperity derived from Gulf oil. Unless we can respond to America's repulsion toward Japan, we will become isolated internationally."

Based on this viewpoint, Yamasaki insists that Japan should send uniformed SDF personnel to the Gulf to work as "support forces behind the lines." His reasons for sending the SDF are: "Civilians are not willing to go to the warfront." "The SDF forces are well trained." "The SDF will provide a visual 'symbol' of cooperation."

Yamasaki concludes: "Unarmed SDF personnel will be sent to the Gulf. Regarding emergency casualties, new legislation should be prepared to handle such matters." Yamasaki is opposed to dispatching minesweepers. However, some government officials and LDP members are contemplating the dispatch of destroyers and fighter planes. Former Deputy Prime Minister Kanemaru went as far as to say, "Why not amend the Constitution?" But is the United States seriously hoping that Japan will send its SDF?

The issue of dispatching personnel came up first in a telephone conversation between President Bush and Prime Minister Kaifu. On the morning of 14 August, President Bush called Prime Minister Kaifu and talked for 20 minutes. The conversation went as follows:

Bush: You do not need to go through the trouble of amending the Constitution, but please contribute as much as you can.

Kaifu: We will do everything we can.

Bush: Send not only money but "men" and hi-tech equipment.

Kaifu: We will try to send personnel to suit your needs.

Although President Bush requested Japan's assistance, he did not list his demands. It is reported that President Bush's words suggested that Japan should exercise its best judgment. However, on the same day, the prime minister hastily asked Ambassador Murata, who was vacationing in Europe for three weeks, to return to the United States immediately. Ambassador Murata, upon returning to the United States, went straight to the White House and the Pentagon and asked "what exactly should Japan do?"

"The Cabinet Will Collapse If Japanese Citizens Lose Their Lives"

First, the Japanese Government considered the following: 1) Dispatching Maritime SDF minesweepers; 2) dispatching Maritime Safety Agency patrol boats; 3) paying U.S. military expenses; 4) increasing the amount of burden-sharing for the U.S. forces in Japan; and 5) rendering economic assistance to frontline countries in the Gulf. This list was initially compiled in 1987 during the Iran-Iraq war, when the United States pressured Japan to come up with burden-sharing measures.

According to a U.S. State Department source: "The United States is not forcing any specific demands on Japan. The United States only wants Japanese money." Japan is troubled when the United States Congress expresses its anti-Japan feelings. However, the U.S. Government does not expect Japan to assist militarily. A more objective view suggests that the issue of dispatching personnel was used by the United States as a bargaining point to obtain more economic assistance from Japan.

But Prime minister Kaifu overreacted to "foreign pressure" and became confused. He said to his aids with a sigh: "The United States said it wants us to send a 'military force.'" It is reported that he asked the Foreign Ministry: "Is there a way that we can send our SDF?" On the other hand, to the mounting requests by the families of hostages that the government act cautiously, Prime Minister Kaifu reportedly said: "The death of a hostage will mean the end of this cabinet." It is also reported that Prime Minister Kaifu is very much concerned about a decline in public support for the cabinet because of its handling of the Gulf crisis.

When the confused Prime Minister Kaifu consulted Takeshita, who was responsible for bringing Kaifu to power, Takeshita distanced himself and said: "This is your responsibility." The Foreign Ministry is working with the Prime Minister's Office on "contribution" measures. One key Foreign Ministry official said: "Concerning the dispatch of medical personnel, the Prime Minister's Office went over our heads and talked to the Ministry of Health and Welfare. The Prime Minister's Office is all for dispatching the necessary personnel, but the Foreign Ministry is only putting up a show to keep face. Even before we can question whether or not U.S. military actions are justified, Japan's international stand has become rigid. We have no choice but to take action."

Prime Minister Kaifu's lack of ability in managing a crisis has been pointed out. In the past, former Prime Minister Nakasone devoted himself intensely to managing crises. In 1984, he appointed a special minister in charge of crisis management. Also, a special office in charge of crisis management was set up in the Cabinet Secretariat. In addition, a private advisory body named the "Crisis Management Resolution Society" under the guidance of Minister Nakanishi discussed issues such as "appointing a deputy prime minister in charge of crisis management," and "strengthening the fighting abilities of the SDF, which are inseparable from the U.S. forces." Thus, former Prime Minister Nakasone desired to establish a "war structure." Similarly, Prime Minister Kaifu has been preparing to set up an "emergency system," following in Nakasone's footsteps. However, isn't it risky to accelerate crisis management measures at the last minute?

The Cabinet Legislation Bureau interprets the Constitution and determines whether or not Japan's measures to assist UN forces and multinational forces are legal. The multinational force was sent to the Gulf according to Article 51 of the UN Charter, which recognizes "the right of collective defense." Therefore, according to some legal experts, this contradicts Japan's Constitution, which bans the right of collective defense. Consequently, these experts have maintained that not only is the dispatching of the SDF difficult, but also the financial contributions are illegal. However, the Cabinet Legislation Bureau's interpretation is that it is possible to assist the nonmilitary sector of a multinational force, which resulted in the contribution of several billion yen.

In fact, financial contributions have been made in the past to MFO [Multinational Force Operations] to observe Israel and Egypt. Japan contributed $4 million between 1988 and 1990 toward the nonmilitary sector of that MFO, namely a medical unit. However, the MFO is a post-conflict observer force. It differs from the current conflict observer force. Therefore, the application of laws requires an expanded interpretation. Not only "monetary" assistance but also "personnel" dispatching requires a new interpretation. The overseas dispatch of the SDF was totally banned in the beginning. However, in March 1966, former Defense Director Matsuno said: "Dispatching forces overseas means dispatching armed troops to a foreign country with an intent to use arms." All other dispatches, Matsuno said, are legal. Later, this definition was further narrowed to include "dispatching an unarmed force overseas to rescue citizens," "sea-lane defense," and "mine removal in the Persian Gulf" as nonmilitary. Moreover, the SDF frequently train overseas as far as South America, and participate in "Pacific Rim Exercises" (RIMPAC). An amendment to the International Emergency Assistance Dispatch Act is under discussion to enable dispatching forces not only to a "disaster region" but also to a "conflict region," in areas covering not only "medical" but also "communications" and "transportation." According to law, SDF officers, who were transferred to other ministries or agencies, can also be sent overseas. At present, SDF officers who are transferred temporarily to the Foreign Ministry and are stationed overseas wear uniforms. Therefore all SDF personnel sent overseas are permitted to wear uniforms.

"Dispatch of a Minesweeper" a De Facto Dispatch of Forces

Many uniformed SDF officers are unhappy with the ongoing discussions on dispatching personnel, which ignore "military common sense." A person concerned with the Defense Agency said: "Dispatching personnel can only be effective if trained personnel, materials, equipment, and transportation facilities all work together. Personnel alone cannot accomplish anything. Particularly in the case of communications, amateurish operations will not work. We have to rely on SDF personnel who are under clear supervision. Moreover, we need to dispatch not only a few persons, but trained units. Furthermore, we cannot send personnel to the warfront unarmed."

Even if the SDF fleet and planes are used for transportation purposes, Iraq may not believe that "they are unarmed" and may attack them. But if these ships and planes are armed, they can legally exercise the "individual right to self-defense" and strike back.

Moreover, the multinational forces differ from a UN force in that each country exercises the right of command. Since the SDF training manual concerns only the U.S. forces, it will be difficult for the SDF to participate in multinational military operations.

Former LDP Policy Research Council Chairman Watanabe suggested to Prime Minister Kaifu that Japan should send minesweepers and anti-submarine patrol aircraft to the Gulf. In addition, a high government official said: "The dispatching of minesweepers is legal." This statement was based on former Prime Minister Nakasone's testimony before the Diet in 1987: "According to Article 99 of the SDF Act, the removal of and handling of mines in Japanese waters is permitted. This same act can be applied to sending minesweepers to the Persian Gulf." "Since the act of minesweeping is nonmilitary, therefore dispatching SDF personnel to do this job is not dispatching a military force." He made the above statements at the time of the Iran-Iraq war.

Although ordinary citizens may think of minesweeper as involving only a small ship, according to SDF's "military common sense," the dispatching of minesweepers is nothing less than the dispatching of a force. A minesweeper unit consists of three vessels. Six to eight minesweepers are needed to do the task. Moreover, a 20-mm machinegun is mounted on a minesweeper to detonate mines. In addition, the fleet force comprises a supply ship and minesweeper tender. The supply ship supplies oil, water, food and ammunition, and the minesweeper tender takes command and handles communications. Destroyers equipped with guns, torpedoes, and antisubmarine helicopters will be deployed around these ships to protect them. Therefore, accompanied by minesweeper helicopters, this fleet force will travel 6,000 miles from Japan to the Persian Gulf. All ships follow the speed of the minesweepers, which is 10 knots. It will take around 30 days, counting stopovers. This is clearly a military action, a far cry from a "symbolic gesture."

Tetsuo Maeda, a military commentator, explains: "Iraq's coastline is only 30 kilometers, and its Navy has only 5,000 men. It is not likely that they will place mines in the Gulf. There is no reason why we should dispatch our minesweepers. Discussions have gotten ahead of the problem. We should decide what the SDF, which has come about as the result of our peaceful constitution, should do to assist the UN force, and then consider each individual case. The current discussion has begun at the wrong end."

On the other hand, another official of the Defense Agency said: "International common sense takes preference over constitutional restrictions. We must dispatch our SDF." However, he added: "The politicians are again avoiding a discussion on self-defense laws. I am not happy with the way the SDF are being treated like stepchildren."

Eiichi Shindo, professor of international politics at Tsukuba University, concludes: "Neither the domestic nor the foreign community demands the dispatching of the SDF. Even if we increase our share of the burden-sharing, the United States will use it to defend against a military attack in the Third World. It will appear as if Japan's contribution will be used to fuel international tensions. Military leadership by the United States is not needed in this post-Yalta world. We need a new diplomatic philosophy initiated by the United Nations. Why not send noncombattant SDF personnel to participate in the nonmilitary sector of the UN peacekeeping force? Meanwhile, we should give financial and material assistance to the international community."

Historically, in the 3rd Century B.C., Carthage, a "trade nation," was defeated by Rome, a "military power," in the Second Punic War. Following its defeat, Carthage signed a treaty to compansate Rome for the next 50 years, as well as paying for all military expenses incured by the Roman forces stationed in Carthage. Carthage concentrated its efforts to accumulate wealth and paid its war debts in much shorter period of 10 years or more. However, Carthage's obsession for wealth resulted in its isolation, and it was hated by its neighbors. This brought fears to the Romans, who ultimately conquered Carthage. Therefore, from the logic of power politics, the fall of Carthage is used by politicians to preach the importance of military alliances. However, I believe Japan is over-reacting to the issue of dispatching personnel, including dispatching the SDF, because it fears becoming a second Carthage.

Effects of Post-Cold War Era Examined

902B0228A Tokyo ASAHI SHIMBUN in Japanese 18 Aug 90 p 2—FOR OFFICIAL USE ONLY

[Interview with Yonosuke Nagai, professor at Aoyama Gakuin University, interviewer not identified; place and date not given: "Pondering 'Japan's Foreign Policy'; Isolation for Japan With the Lessening of Unity"]

[Text] [ASAHI SHIMBUN] How do you view the Iraqi invasion of Kuwait in this "post-Cold War" era and the United States-Soviet response?

[Nagai] The distinguishing characteristic of international politics in the post-Cold War era is the mixing of the "centrifugal phenomenon" of frequent outbreaks of regional discord, brought on by the abrupt thawing of ethnic and religious nationalism which had been in the Cold War deep freeze, with the "centripetal phenomenon" of suppression of regional disputes by cooperation between the United States and the Soviet Union.

Friction Within the West

[ASAHI SHIMBUN] Hasn't the centrifugal phenomenon manifested itself within the West as well?

[Nagai] The United States and the Soviet Union in polar opposition was a stable structure. The West maintained its cohesiveness through a "bonding of fear" caused by having the Soviet Union as the common enemy. However, now the situation for the West is ambiguous. Like a love triangle, the tripolar structure of Japan, the United States and Europe—perhaps in five to 10 years a tripolar Japan, United States and a reunified Germany—will tend to be driven by the dark demon of doubt. For example, will the United States and Europe not join together in putting pressure on Japan? Or, will Japan and the United States join together? And so on. I think we are entering a period of "tripartite pact" power politics driven by economic nationalism such as we found in the 19th century.

Joint Intervention by the United States and the Soviet Union

[ASAHI SHIMBUN] In the sense that we are seeing a resurgence of 19th century politics, one American scholar has characterized the present situation as "history repeating itself."

[Nagai] Were I to characterize it, I would call it "Back to the Future," although it's not a movie title. Nor is it a simple recurrence of history. What's significant is that the United States and the Soviet Union are taking as their great moral duty dealing cooperatively on such issues as human rights, the global environment, international terrorism and drugs, and are constructively using as a platform for that cooperation the United Nations which is tied to "global consensus." From now on, when it becomes necessary for the United States and the Soviet Union to act in concert, intervention in another country's internal affairs will be done to insure collective peace.

[ASAHI SHIMBUN] How do you view President Gorbachev who is responsible for these changes?

[Nagai] Gorbachev made an extremely important pronouncement in February of this year. He said, "We must get rid of all those things that have led socialist states into isolation from the mainstream of world civilization." That is to say, the Soviet Union, which the West has viewed as an "outsider," is attempting by every means possible to become part of the West's "inside," the mainstream of civilization since Greece and Rome. Gorbachev's audience with the pope is evidence.

Japan's Economic Efficiency a Threat

[ASAHI SHIMBUN] What of Japan's position in all of this?

[Nagai] Although Japan has come to accept treatment as a member of the Western alliance, which is based on the "bonding of fear," there is also the issue of Japan's heterogeneity from the standpoint of democracy and consumerism. Japan's economic efficiency is now the threat.

[ASAHI SHIMBUN] As the United States and the Soviet Union form a new alliance, will Japan become the "outsider"?

[Nagai] Allow me to bring in other Gorbachev pronouncements. On 7 December 1987, the anniversary of Pearl Harbor, Gorbachev, who was visiting Washington, said, "Today, the United States and the Soviet Union have entered a cooperative alliance." At the United Nations on the same day last year, he announced unilateral disarmament. The general secretary of the Soviet Union was clearly talking about "the restructuring of war-time alliances." Gorbachev's coming to Japan in 1991 against a backdrop of mid-term elections in the United States and the 50th anniversary of Pearl Harbor is a clear indication he's aware of Japan's growing sense of isolation. Japan, the largest beneficiary of Middle East oil, will stand in total isolation from the rest of the world if during the current crisis it adopts the position of merely giving out money, and then later maneuvering skillfully as it did during the Cold War. At the very least, Japan must create permanent "emergency aid teams" composed of doctors, nurses and technicians for rapid deployment by large-scale transport to trouble spots and disasters as part of the structure of international cooperation.

[ASAHI SHIMBUN] It would seem that Japan's foreign policy in the post-Cold War era will continue to face unresolved, difficult situations.

[Nagai] Dark clouds hang over the world, to be sure.

In a Long-established Concept, a Warning

(Note) Nagai is foremost among his peers in research on the Cold War and nuclear stalemate theory. His last year's Christmas card, sent to friends around the world following the Malta conference, was entitled "Back to the Future." In the sense of joining together two new faces from the post-Cold War era he called the "Eruption of Regional Egoism," and the "Pinning Down United States and Soviet Cooperation" the idea of history being reenacted in a fresh guise. He sees the two major areas of dispute in the nineties as the "Japan question" and the "German question," but points to a decisive difference between the two countries in the "ethical resolution" of responsibility for World War II. He warns that in responding to the Middle East crisis, according to a long-established concept, Japan's isolation is inevitable.

Before his present position he was a professor at Hokkaido University, a visiting professor at Harvard and a professor at the Tokyo Engineering University.

* Series Looks at Changing Foreign Relations

902B0244A Tokyo NIHON KEIZAI SHIMBUN in Japanese 22, 23, 25, 26 Aug 90—FOR OFFICIAL USE ONLY

[22 Aug 90 p 2]

[Text] Recently, we've been hearing statements like "If we bungle our efforts to aid the countries in the Middle East, we may cause an earthquake on a magnitude of 7.5 in our relations with the United States." Or, "The crisis in the Middle East could affect issues such as liberalizing the rice market or the stationing of U.S. troops in Japan." Under the slogan of "Japan's contribution to peace and stability in the Middle East," Prime Minister Kaifu decided to postpone his five-nation historic visit to the Middle East in order to muster support at home before going. Officials in the Ministry of Foreign Affairs have expressed concern about future U.S.-Japan relations.

In a telephone conversation with Prime Minister Kaifu, President Bush requested positive support from Japan, and, according to sources close to Kaifu, Bush spoke of concern about Japan's position because of constitutional restrictions and did not mention military support. However, according to sources in the Ministry of Foreign Affairs, there is a growing demand from some circles in the U.S. Congress and Department of Defense for Japan to provide financial support to the multinational peacekeeping forces as part of Japan's military contribution. According to an official of the Ministry of Foreign Affairs, "If Japan does not make efforts toward an appropriate contribution, cracks will form in the alliance between Japan and the United States."

Many observers feel that there has been some improvement in U.S.-Japan relations since the Houston Summit in July. According to a top official in the Ministry of Foreign Affairs, as a result of the Structural Impediments Initiative (SII) talks concluded at the end of June, "There was a change in the acrimonious attitude from the U.S., and it was possible to achieve cooperation between the United States and Japan at the summit."

At the summit, Japan was criticized by West Germany and France, and Prime Minister Kaifu carefully explained Japan's financial assistance to the Soviet Union in relation to the Northern Territories Issue, and thoroughly explained Japan's policy of cancellation of loans to China, while President Bush strongly supported Japan's move out of isolation.

President Bush frankly pointed out that the reason for Japan's financial support to the Soviet Union was due to the positive developments in West Germany and other European countries, as well as the big budget deficit difficulties faced by the U.S. Congress which hinder the U.S. from providing aid to the Soviet Union, so Japan stepped in to fill the void. The view was expressed that U.S. business strongly favors the lifting of economic sanctions against China for the sake of improved U.S.-China relations, and that Japan has taken the lead in assuming some of the burden. Even the so-called "U.S.-Japan cooperation" at the summit was complex and involved some intricate thought processes.

The Worst Case Scenario

According to the Ministry of Foreign Affairs, the worst case scenario would be that in spite of great sacrifice on the part of the United States to preserve stability in the Middle East, Japan, which is the greatest beneficiary of Middle East oil, would not do anything, causing increased dissatisfaction in the United States, and creating greater problems in U.S.-Japan relations. The liberalization of Japan's rice market and the stationing of U.S. troops in Japan could easily become volatile issues in the elections in the United States this November.

The rice issue will reach a critical point at the U.S.-Japan summit planned for the end of September. A plan for cutting farm assistance is about to be presented in mid-October at the GATT Uruguay Round, and with mid-term elections coming up in the United States, pressure to get concessions from Japan will become stronger.

Within Japan, former Prime Minister Takeshita, LDP [Liberal Democratic Party] leaders and other officials, are starting to make progress in "creating an environment" for partial liberalization by making positive statements on partial liberalization of the rice market. However, within the LDP itself, there are still some hardliners who say that there is no need for Japan to make concessions until the United States and European countries start to reform their own policies on agricultural assistance. In the U.S.-Japan summit talks in Houston, Prime Minister Kaifu was urged by President Bush to solve the rice problem, but given the domestic situation in Japan, it was difficult for Kaifu to give Bush a favorable reply.

According to sources close to the prime minister, the U.S. Government will find it difficult to get the Congress and the American people to understand that there are constitutional restrictions on Japan. The U.S. Congress will reconvene starting 4 September. In response to the U.S. dispatching of personnel to the Middle East, the Japanese Government has begun to give serious consideration to revising the law relating to sending military personnel to assist in international emergencies. This reflects the sense of crisis felt in the U.S. Congress.

The Difficulty of Removing the "Threat"

It has been reported that the cost of stationing U.S. troops in the Gulf area is $1 billion each month, and that there are increasing calls, primarily from the U.S. Congress, for Japan to take on a greater share of the cost of the U.S. troops stationed in Japan. The Japanese Government has begun to consider large increases in its share of the cost of U.S. troops in Japan as part of its contribution to peace and stability in the Middle East, but within the framework of the Japan-United States Status of Forces Agreement, Japan is already doing its share. The Japan Socialist Party and other opposition parties will react strongly to any additional burden sharing.

The "Soviet threat," which has been the common theme governing U.S.-Japan relations, appears to be disappearing, and the U.S. view of Japan seems to be growing harsher. If Japan's response to the situation in the Middle East is mistaken, America's high hopes for the "U.S.-Japan alliance" will turn to mistrust, and there is considerable danger that this could lead to severe criticism of Japan. For Prime Minister Kaifu, Japan's contributions to the Middle East are in themselves policies in dealing with the United States.

[23 Aug 90 p 2]

[Text] The scene is the sixth floor of the Ministry of Foreign Affairs in Kasumigaseki in Tokyo. This summer, the Soviet Division was preparing for the visit of Soviet Foreign Minister Shevardnaze to Japan (5 September), burning the midnight oil, while the European and Oceanic Affairs Division was on vacation. The reason for this is that Foreign Minister Shevardnaze holds the key to the success of President Gorbachev's visit to Japan next spring and the key to a successful solution to the Northern Territories issue.

What is causing the Ministry of Foreign Affairs the biggest headache now is how to respond to the recent Soviet "Asia-Pacific Collective Security Initiative." This concept was first proposed by Deputy Foreign Minister Rogachev at the Japan-Soviet Vice Ministerial Talks in Moscow from the end of July to the beginning of August. Soviet Foreign Minister Shevardnaze also spoke on this concept at the Asia-Pacific Seminar in Vladivistok immediately before visiting Japan in September, and intends to next present a detailed plan during talks with Foreign Minister Nakayama.

It is difficult to directly oppose the Soviet view that we should discuss the formation of a collective security arrangement for the Asia-Pacific region, which lags behind Europe in its efforts to ease regional tensions. At a conference of ASEAN foreign ministers at the end of July, there was international interest in this concept, as indicated by the positive attitude of Australia and Canada.

Even at the bilateral Japan-Soviet level, the Soviet side says that a relationship of mutual trust is needed in the military area in order to solve the Northern Territories problem. According to Deputy Vice Minister for Foreign Affairs Owada, Japan is willing to listen, and is willing to participate in talks.

However, if this concept is actually put into effect, the U.S.-Japan Security System will certainly start to fall apart. According to an official of the Ministry of Foreign Affairs, "This proposal cannot be easily adopted, and will cause a radical reconsideration of Japan's security policies." This proposal is causing the U.S. to be nervous, since it could lead to a drifting apart of Japan and the United States, and Foreign Minister Nakayama and Secretary of State Baker agreed during their talks at the conference of ASEAN foreign ministers to look at this proposal carefully.

Nonetheless, the world has taken some big steps toward the post-cold war era. If a negative attitude toward the Soviet proposal continues, it is possible that Japan could develop an image of being a country that turns its back on the relaxation of tensions. For this reason, the Ministry of Foreign Affairs will soon send officials to the United States to make sure that Japan and the United States see eye-to-eye on this issue.

Details of the Ten-Article Proposal

During Shevardnaze's visit to Japan, one of the main themes that Japan intends to pursue will be the hammering out of the details of the ten-article proposal which is the basis for expanding economic negotiations involving technical assistance to the Soviet Union that was proposed in the Japan-Soviet Vice-Ministerial Talks. Japan wants to avoid as much as possible making the Soviet "Asia-Pacific Collective Security Initiative" the main theme. Japan intends to pursue partial agreements with Shevardnaze, and according to a source in the Ministry of Foreign Affairs, "We originally wanted everything to work out in time for Gorbachev's visit, but that isn't going to happen."

It has been reported that the Gorbachev administration, which is deeply engulfed in economic troubles, has high hopes for economic support, including financial support from Japan. The ten-article proposal, which represents the height of Japan-Soviet cooperation at this time, replaces financial support. According to officials at the Ministry of Foreign Affairs, in the Japan-Soviet Vice-Ministerial Talks, there has been an eagerness to find points of agreement rather than points of conflict even in issues such as the Northern Territories issue.

We thus have a Soviet Union which is rocking the boat with its "Asia-Pacific Collective Security Initiative" and a Japan that aims to solve the Northern Territories problem by expanding economic cooperation while holding onto the trump card of financial support for the Soviet Union. There will be a lot of back-and-forth discussion of these issues during Shevardnaze's visit to Japan, which will be the "first act" in the drama of improving Japan-Soviet relations. Western diplomatic sources in Moscow are of the opinion that in anticipation of the "second act," namely, the visit of President Gorbachev, the Soviets will probably propose policies for lifting the prohibition of financial support.

Soviet Foreign Policy Initiatives

Officials of the Ministry of Foreign Affairs emphasize that the key to Japan's Soviet policy is how far financial assistance can go. However, the Komeito's Chairman Ishida said on 20 August that politics and economics cannot be separated, and called on the LDP to make some compromises. The Ministry of Foreign Affairs has evaluated the Soviet response to Iraq's invasion of Kuwait, and is also concerned about the possibility of the Export-Import Bank of the United States providing financial support to the Soviet Union after establishing emigration laws. If the United States, which hosted the Houston Summit, provides financial support to the Soviet Union, including treasury disbursements in addition to assistance from the Export-Import Bank of the United States, Japan could become isolated from the other Western countries.

According to one official of the Ministry of Foreign Affairs, Gorbachev has taken the initiative in foreign policy. It appears that the days leading up to Gorbachev's visit to Japan next spring will be very eventful indeed for the Ministry of Foreign Affairs.

[25 Aug 90 p 2]

[Text] Foreign Minister Nakayama, who visited the Middle East instead of Prime Minister Kaifu, will return on 25 August. He met with Middle East leaders, including King Fahd of Saudi Arabia, and according to an official of the Ministry of Foreign Affairs, "There is a great deal of interest in Japan, and we have ascertained that they have great expectations of Japan in the economic and political areas, but not in the military area."

There has been some concern within the Ministry of Foreign Affairs that requests for military cooperation have to be turned down as "impossible," but Japan is relieved that the countries in the Middle East understand Japan's basic position.

The Foreign Minister's Tense Visit to the Middle East

On 21 August, when Foreign Minister Nakayama left Jordan, Iraq's Foreign Minister 'Aziz made waves by stating at a press conference that "Japan is following the aggressive policies of the United States," engulfing Japan in a diplomatic battle. This was the first time for Foreign Minister Nakayama to visit a tense region and to step into the midst of a conflict. According to sources at the Ministry of Foreign Affairs, "It was tense in a good sense."

An official of the Ministry of Foreign Affairs commented on Mr. Nakayama's visit that, "If you think of it as a basic body-building activity, this is a tense situation that calls for a blood transfusion." In the background of Prime Minister Kaifu's original plan to visit the Middle East, there is the revival of nationalism amidst the breakdown of the East-West Cold War structure, making a response to the crisis in the Middle East even more difficult. The goal is to strengthen the basic relationship between Japan and the countries of the Middle East, upon which Japan has a life-and-death dependence for 70 percent of its crude oil supply. Everything was changed at once by Iraq's invasion of Kuwait, so for Japan, Nakayama's visit was meant as a way to find a solution.

The situation in the Middle East, which flared up more quickly than was expected, clearly highlights the limitations of Japan's "foreign policy based on oil." For better or for worse, Japan's Middle East policy is an "oil policy," and is primarily focused on always maintaining good relations with oil-producing countries, with a focus on economic security. For this reason, relations with the PLO are emphasized in dealing with the Palestinian problem, and Japan has leaned more toward welcoming PLO leader Arafat to Japan than toward Israel.

However, although Japan's policy toward the Middle East has been characterized as different from that of the United States, in times of "Middle East crisis," Japan has to follow the lead of the United States. Although the government is considering "policies that cooperate with those of the United States to the greatest extent possible," during the U.S. hostage crisis in Iran that started in 1979, Japanese trading companies continued to purchase crude oil, thereby provoking the wrath of the United States.

Breakdown of Scenarios

Until now, the backbone of Japan's contributions to countries in areas of conflict has been limited to economic cooperation and dispatching of non-military personnel, and the various ministries have started to started to work toward carrying out this policy. Immediately after returning on 25 August to Haneda Airport from his visit to the Middle East, Foreign Minister Nakayama went directly to the prime minister's residence to discuss the visit with the other ministers involved.

Since Foreign Minister Nakayama returned from his trip, opposition of the Japan Socialist Party and the Komeito to revising the law relating to sending military personnel to assist in international emergencies has become more vocal. Moreover, Japanese nationals who were moved from Kuwait to Baghdad were placed under house arrest by the authorities, and there are those who are suggesting that this had something to do with Japan's embarking on contributions to peace and stability in the Middle East.

From late at night on 22 August to the morning of 23 August, the Ministry of Foreign Affairs was enveloped with the tension caused by Japanese nationals being moved to Baghdad under house arrest and Iraq's surrounding of the embassies in Kuwait. The scenarios sketched by the Ministry of Foreign fell apart because of Iraq's unpredictable behavior.

Although it was inevitable that the Japanese nationals were moved from Kuwait to Baghdad and the borders were closed, it left a deep impression on Japan, whose foreign policy does not respond well to crises. It is not easy for Japan to come up with policies for peace and stability in the Middle East, and with Japanese nationals under house arrest, officials of the Ministry of Foreign Affairs gathered to discuss the situation, but it was difficult to come up with a suitable plan.

Clear Standards Are Required

It has been said that until now, Japan is the only country that hasn't gotten its hands dirty in the Middle East, but if you look at it another way, the reason for this is that Japan has not gotten involved politically. At least, that's the way it's viewed in the Government. An official of the Ministry of Foreign Affairs said, "Now that Japan has become such an important country, it is going to have to clearly show where it stands on this issue. It is important for Japan to clearly indicate the standards upon which it bases its policies."

It has been said that in the post-cold war era, conflicts based on tribalism and nationalism will be a great threat to world security. It is no longer possible for Japan to make its contribution with money alone, as during the Cold War era. Japan must take its place as one of the "Western countries."

Prime Minister Kaifu intends to visit the Middle East at the beginning of October, taking with him his package of contributions to peace and security in the Middle East. His trip will call into question the nature of Japan's foreign policy.

[26 Aug 90 p 2]

[Text] Foreign Minister Nakayama recently said, "This year was predicted to be the Year of Asia. The first half of the 'gestation period' has passed and the fetus has started to move. During the second half, Asia will move."

The effects of the post-Cold War era, which began in Europe, are now starting to be felt in Asia. Japan's Asia policy will play a key role in promoting these effects. However, the political map of Asia is complex, and differs from that of Europe, in which two armed camps are facing each other. Japan is still trying to find an Asia strategy that will lead to a new international political order.

The Results of Kanemaru's Visit to North Korea are Unpredictable

The situation on the Korean peninsula is said to be the biggest hindrance to the formation of a stable international order in Asia. It is strongly suspected that North Korea is hurriedly developing nuclear weapons, and the Japanese Government is worried that "If North Korea possesses nuclear weapons, it will heighten tensions in East Asia. There is a direct connection to Japan's security" (an official of the Defense Agency).

At the May meeting between the governments of Japan and South Korea and at the meeting of the Foreign Ministers of Japan and South Korea in July, both countries agreed that it is important to avoid the isolation of North Korea. According to sources in the Ministry of Foreign Affairs, "The more South Korea strengthens its relations with the Soviet Union and China, the deeper will be North Korea's sense of crisis, causing a great deal of instability." According to this view, the Soviet Union and China both agree that there needs to be not only improved relations between Japan and South Korea, but also between Japan and North Korea.

The opening of relations between Japan and North Korea has come to be an unavoidable theme for Japanese diplomacy. Both the LDP and the Japan Socialist Party have been trying to predict the outcome of the visit of former Deputy Prime Minister Kanemaru to North Korea this autumn, the purpose of which is to try to find a solution to the No. 18 Fujisan Maru problem. However, Kanemaru does not know what the prospects are for his returning with two captives from the Fujisan Maru, which is a major presupposition for his trip. Whether or not he will visit North Korea is up in the air. There is a sense of impending danger in the Ministry of Foreign Affairs that the Japan Socialist Party will go its own way in developing relations with North Korea.

The Japanese Government has by no means been standing by idly. The Ministry of Foreign Affairs has been making various efforts behind the scenes to find means for contact with North Korea. In 1985, there was a move to solve the problem of the two captured Fujisan Maru sailors with money, but the idea was laid to rest since it would "invite unnecessary suspicion." Those closely connected to Japan-North Korea relations have revealed that North Korean delegations have been visiting Japan two or three times a month, and there have been some fairly high-level talks.

However, as long as North Korea does not respond to the Japanese Government's call for talks without preconditions, no effective means can be found for opening up relations, and one can only watch what happens when Kanemaru visits North Korea.

A Crucial Moment also for Cambodia

The autumn will also be a crucial time for the Cambodia problem, which Japan tried to deal with directly at a conference in Tokyo in June. The Pol Pot faction, which did not participate in the Tokyo conference, has since then gone on the offensive and has further raised the level of hostilities in the civil war.

If there is no meeting of the Supreme People's Council that was agreed upon by all factions by the September convening of the UN General Assembly, there is a strong possibility that there will be a confrontation between the Western countries and Southeast Asian countries over whether or not the Pol Pot faction should be removed from representative status at the United Nations.

The Ministry of Foreign Affairs recently sent Asian Bureau Chief Yano to China to try to persuade the Chinese to support participation of the Pol Pot faction in the Supreme People's Council, but there is still the problem of how to gain the support of both the Western countries and Southeast Asian countries.

China is the key to the problem of relations with North Korea and the problem of peace in Cambodia. At the Houston summit, progress was made toward normalizing Japan-China relations by gaining the agreement of countries to unfreeze tertiary loans. According to sources at the Ministry of Foreign Affairs, "Japan's Asia diplomacy cannot be carried out without Japan-China relations."

Government's Cautious Attitude Toward China

The Japanese Government's caution stands out in contrast to the LDP's activist position. Former Chairman of the LDP Policy Affairs Research Council Mitsuka's visit to China and his comments on unfreezing of yen loans sent out shock waves, but the Ministry of Foreign Affairs is perplexed by the attitude of the LDP. Leading officials in the Ministry of Foreign Affairs believe that improved Japan-China relations are necessary, but the reaction of the United States is also of concern, and there is a strong feeling that Japan should avoid making a move ahead of other Western countries.

Prime Minister Kaifu, who was in favor of an early visit to China, has held back from making statements to that effect, and the Ministry of Foreign Affairs has been careful to say there are "no plans" for visits of cabinet ministers to China. A certain official of the Ministry of Foreign Affairs explains, "China has maintained its political system and is trying to invigorate its economy with the help of Japan. By contrast, Japan is trying to encourage democratization by propping up China's economy. In other words, this is a case of 'the same bed, different dreams.'" Japan is promoting improved relations in order to bring about democratization in China. Relations with China are now facing a more difficult time than before the Houston summit.

PRC Proposes Sale of Material for Nuclear Fuel

OW0910153090 Tokyo JIJI in English 1445 GMT 9 Oct 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Oct. 9 (JIJI PRESS)—China has proposed sales of several hundred tons of uranium octoxide, or the so-called yellow cake used as a material for nuclear fuel, to Japan's nuclear energy industry, informed sources said Tuesday. The proposal was made by China Nuclear Industry Corp. at the sixth Japan-China regular meeting on nuclear power held in China late last month. The meeting was joined by seven Japanese and eight Chinese nuclear energy industry leaders including Kansai Electric Power Co. Chairman Shoichiro Kobayashi and China Nuclear Industry Corp. Vice President Chen Zhaobo.

During the talks, a high-ranking official at China Nuclear Energy Industry Corp., the export and import division of China nuclear industry, offered to sell to the Japanese industry yellow cake for 24 to 25 dollars per pound, much the same as international market prices, the sources said. The Chinese side showed very positive attitude toward sales, expressing its readiness to take spent nuclear fuel, they said.

Japan imported 65 tons of yellow cake from China from 1982 to 1985 through Power Reactor and Nuclear Fuel Development Corp. of Japan. Japan now buys uranium for nuclear fuel mainly from Australia and Canada.

Japanese electric power firms are expected to study whether to accept the Chinese offer as it could lead to the diversification of uranium supply sources, although there is concern over China's stable supply of uranium to Japan, the sources said.

Political Affairs

Article Predicts December Cabinet Reshuffle

WA12100258 Tokyo SHUKAN GENDAI in Japanese 6 Oct 90 p 63—FOR OFFICIAL USE ONLY

[Unattributed article in the "Nagatacho Periscope" feature]

[Text] Liberal Democratic Party [LDP] members believe that there will be a cabinet reshuffle in December. This belief is supported by the fact that LDP Secretary General Ozawa did not press Tomoo Ie to accept one of the cabinet posts that came available with the resignations of the former justice minister and the director of the Hokkaido-Okinawa Development Agency. Tomoo Ie said: "I do not want a 'short-relief' position." Right away, speculation emerged regarding personnel changes that favor "the strengthening of the Ozawa system," according to a former cabinet member.

An influential LDP member speculates that in the next cabinet reshuffle, "neo new-leaders" will occupy the LDP's top three posts: Secretary General Ozawa will remain in his position, Yoshiro Mori (Abe faction) will become chairman of the Executive Council, and Ozawa's close friend, Koichi Kato (Miyazawa faction), will be made chairman of the Policy Research Council. Moreover, according to sources close to the prime minister, new personnel assignments will include some shocking appointments: Justice Minister Kajiyama will remain in his post; Finance Minister Hashimoto will lose his cabinet position; Kozo Watanabe and Yohei Kono will join the cabinet; and Tsutomu Hata will become chief cabinet secretary. In addition, as a special "attraction," Prime Minister Kaifu will appoint Morihiro Hosokawa, governor of Kumamoto Prefecture, to be a cabinet minister. Hosokawa earlier announced that he will not run for governor next year.

However, because Prime Minister Kaifu's leadership in the Gulf crisis is being questioned, a leading Watanabe faction member said: "Rather than a reshuffle, a change of administration is possible."

By the way, whatever happened to the pending issues of the consumption tax and political reform?

Unified Local Elections To Occur Next April

OW0410202990 Tokyo JIJI in English 1354 GMT 4 Oct 90—FOR OFFICIAL USE ONLY

[Text] Tokyo, Oct 4 (JIJI PRESS)—The Ministry of Home Affairs plans to set the date for the 12th Unified Local Elections on April 7 and 21. One ministry will submit a bill setting the election date to the extraordinary Diet (parliament) session after confirming the schedule with the ruling Liberal Democratic Party (LDP) and opposition parties.

Some 2,600 elections for prefectural and city assemblies, mayoral and gubernatorial posts, and other local government entities will be held intensively on the two dates.

The unified election scheme is aimed at drawing people's attention to elections as well as cutting expenses. It is conducted every four years and elections are held during March-May of that year.

Elections for prefectural governors and assemblymen as well as mayors and assembly members of ordinance-designated cities will be held on April 7, while other local posts will be contested on April 21.

Gubernatorial elections will be held in the Prefectures of Hokkaido, Iwate, Akita, Ibaraki, Tokyo, Kanagawa, Fukui, Osaka, Tottori, Shimane, Fukuoka, Saga and Oita, while prefectural assembly seats will be contested in all prefectures except for Ibaraki, Tokyo and Okinawa.

Ministerial Appointment Raises Leadership Issues

Kaifu Lacks Clout

WA0810061 4 Tokyo SANDE MAINICHI in Japanese 30 Sep 90 p 20—FOR OFFICIAL USE ONLY

[Unattributed article in the "Sunday Headline" political feature: "A 'Mummy' Justice Minister Was Appointed During Takeshita's Absence"]

[Text] A Liberal Democratic Party [LDP] source analyzed activities involving the replacement of former Justice Minister Hasegawa, who resigned due to illness, in this way: "The current personnel decision did not involve Takeshita at all. It demonstrated to everyone that personnel changes henceforth will be handled by Kanemaru and Ozawa."

All Nagatacho is rife with rumors concerning Kanemaru and Ozawa's choice of Kajiyama, one of the seven young leaders in the Takeshita faction. Kanemaru and Ozawa ignored requests by Diet upper house members that "since this is a position held by an upper house member, the replacement should come from the upper house."

Our political desk comments: "Last year, when Kanemaru and others moved to support Kaifu to become LDP president, Kajiyama, instead, tried to support Hashimoto, the LDP secretary general at that time. This provoked Kanemaru's displeasure. Kajiyama has been without a post since."

Why was Kajiyama appointed? The aforementioned LDP source said: "Kanemaru and Ozawa could not ignore Kajiyama's abilities. They wanted to bring Kajiyama into the Kanemaru group so as to diminish Takeshita's influence."

This is convincing, because former Prime Minister Takeshita left for Europe on 10 September, and Minister Hasegawa's replacement suddenly surfaced on 11 September, immediately after Takeshita's departure.

Saito, who is the LDP contact person and secretary general of the House of Councilors, is also a member of the Takeshita faction. A core member of the Takeshita faction said: "When Kanemaru and Ozawa yell at you, you just cannot say 'no.'"

Prime Minister Kaifu should have the power of appointment, but he stood by in his official residence on the eve of 11 September and could not do much except to watch the actions taken by the Takeshita faction.

The prime minister's lack of leadership has been pointed out in his Gulf policy. In addition, his "inability to have a say in this personnel matter" has further revealed his "puppet administration."

Already there are rumors that "at cabinet meetings, Kajiyama often urges the prime minister to take action," making the prime minister feel more and more powerless. The Kanemaru-Ozawa system is being steadily strengthened.

Kanemaru Made Decision

WA0810061 2 Tokyo ASAHI JOURNAL in Japanese 28 Sep 90 p 99—FOR OFFICIAL USE ONLY

[Unattributed article in the "News Interface" section: "Zooming In on Kaifu"]

[Text] Prime Minister Kaifu, who has the authority to name his cabinet members, was barely consulted in the replacement of former Justice Minister Shin Hssegawa, who resigned due to illness, with Seiroku Kajiyama, former minister of the Ministry of International Trade and Industry [MITI].

Liberal Democratic Party [LDP] Secretary General Ozawa met with the prime minister on the evening of 12 September to coordinate personnel replacements for Hasegawa (Takeshita faction) and Shigetami Sunada (Watanabe faction), the director of the Hokkaido-Okinawa Development Agency, since both submitted letters of resignation the same day.

However, Chief Cabinet Secretary Sakamoto, who was present at this meeting, disclosed to reporters at about 11 PM that day that "the Watanabe faction recommended a replacement for the director of Hokkaido-Okinawa Development Agency, but the Takeshita faction did not." Judging from Sakamoto's statement, Ozawa perhaps did not recommend anyone to the prime minister at this point.

Prior to the meeting with the prime minister, Ozawa consulted with former Deputy Prime Minister Kanemaru, chairman of the Takeshita faction, for about one hour. Ozawa planned to recommend "Kajiyama to replace Hasegawa as justice minister," but perhaps Ozawa did not inform the prime minister of their plan, because he feared that Kajiyama might not accept the offer. It was not until close to 1 AM on 13 September when Sakamoto said that "Kanemaru's proposal to appoint a member of the House of Representatives was an unexpected move," hinting that Kajiyama was preferred.

Contrary to speculation that Ozawa "initiated" this personnel appointment, Kanemaru actually was responsible. Kanemaru had mentioned to the press the name of someone in the Takeshita faction in the House of Councillors, but brought up Kajiyama at the last minute.

Kanemaru played with the press to protect this important personnel appointment from being spoiled. Kajiyama is in a delicate situation in positioning himself on the "Kanemaru-Ozawa line" [within the Takeshita faction] while maintaining friendly relations with former Prime Minister Takeshita. Therefore, his personal affiliation affects the balance of power within the Takeshita faction. Kanemaru took decisive action on this personnel matter without consulting with Takeshita whatsoever.

Moreover, Kanemaru did not discuss the matter with the prime minister beforehand. This indicates that Kanemaru maintains his distance from the prime minister, whom he declares he supports. It also indicates that Kanemaru was confident the prime minister would comply even though he was not consulted beforehand. As far as this personnel appointment is concerned, the prime minister lost even his power of appointment.

Ozawa's Role Detailed

WA0810616 Tokyo AERA in Japanese 25 Sep 90 p 65—FOR OFFICIAL USE ONLY

[Article by political reporter Hajime Sakurai in the "Last Week, This Week" feature: "Ozawa Displayed His 'Toughness' in Kajiyama Appointment"]

[Text] Ichiro Ozawa, secretary general of the Liberal Democratic Party [LDP], who is not very talkative, grows even more uncommunicative when he has to make an important decision. And if the decision requires time, he camps out in a restaurant near the Diet building. When the Japan-U.S. Structural Impediments Initiative [SII] talks reached their climax in July, Ozawa was in contact with the offices concerned from this restaurant.

On 12 September, shortly before 7 PM, Ozawa left the prime minister's official residence and went to the restaurant, saying "I have a date." This was when action was needed to replace Shin Hasegawa, former justice minister, and Shigetami Sunada, former director of the Hokkaido-Okinawa Development Agency, both of whom were resigning due to illnesses. In particular, the replacement of the justice minister was a focal point.

Ozawa talked with Prime Minister Kaifu, who holds the power of appointment, for only 10 minutes. However, immediately before that, he talked with Shin Kanemaru, chairman of the Takeshita faction, for nearly an hour. There is speculation that Ozawa strongly recommended Kajiyama for justice minister at this meeting. This is because Kanemaru earlier in the morning mentioned that Yuji Osada, a Takeshita faction member and president of the House of Councillors, was a strong candidate. But after meeting with Ozawa, Kanemaru backtracked, saying "I don't know."

Kajiyama, who arrived at the restaurant in a different car, was escorted in by Ozawa's secretary to avoid reporters. Ozawa, after successfully persuading Kajiyama to take the job, moved to LDP headquarters around 10:50 PM. He then began negotiations with Juro Saito, secretary general of the House of Councillors. In the negotiations, it was anticipated that Saito would lose a cabinet post held by a member of the House of Councillors. The negotiations lasted until morning, and Ozawa got what he wanted.

It is rumored that Ozawa overcame the opposition of LDP upper house members by adopting conciliatory measures and offering them "four cabinet seats in the next cabinet reshuffle." He had to do this because Ozawa, who takes the lead in the Diet management and electoral system reform, is often at odds with the LDP upper house members. Moreover, Ozawa takes a serious view of public security for the upcoming enthronement ceremony of Emperor Akihito, and has underscored the importance of the justice minister's post.

Furthermore, this appointment sought to control situations within the Takeshita faction. By recruiting Kajiyama, who has distanced himself from Kanemaru and Ozawa since the Kaifu administration began, Kanemaru and Ozawa tried not only to check Takeshita, who occasionally is in conflict with Kanemaru, but also to contain Ozawa's rival—Finance Minister Ryutaro Hashimoto. Ozawa displayed his "tough" side in this personnel matter.

LDP Tensions Heighten

WA08100618 Tokyo TOKYO SHIMBUN in Japanese 14 Sep 90 p 2—FOR OFFICIAL USE ONLY

[Unattributed article in the "Scope" feature]

[Text] Personnel problems involving the succession of former Justice Minister Hasegawa were resolved on 13 September with the appointment of Seiroku Kajiyama, former minister of the Ministry of International Trade and Industry [MITI]. This decision faced rough going due to problems within the Takeshita faction—"a tug of war" played out by Diet upper and lower house members amid anticipation that the president of the House of Councillors would get the position. As a result, "aftershocks" may plague the Liberal Democratic Party [LDP] and the Takeshita faction.

Regarding the appointment of Kajiyama, on 13 September Kanemaru, former deputy prime minister and chairman of the Takeshita faction, stated: "I believe this unexpected personnel decision is the result of difficult times. I assume he was chosen to deal with this important but difficult period." Kanemaru stressed that this decision favored Kajiyama because of his abilities to deal with the situation.

It is said that due to a lack of a suitable person in the House of Councillors, Kanemaru and Ozawa decided to select a member of the House of Representatives to fill this "important post" so as to deal with the Gulf crisis and matters involving the enthronement ceremony of Emperor Akihito, according to a leading Takeshita faction member. In addition, Kanemaru and Ozawa are said to have felt that three cabinet posts were too many for the upper house, where the LDP became a minority in the last upper house election.

However, many LDP members view this personnel decision as reflecting problems within the Takeshita faction.

Kajiyama, who was once close to Ozawa, said: "I will help build the Ozawa administration." However, during last year's "post-Uno" power struggle, Kajiyama's actions were construed as support for Finance Minister Hashimoto to become LDP president. This resulted in a separation between Kajiyama, Kanemaru and Ozawa. In order to strengthen the Kanemaru-Ozawa line and to gain control of the Takeshita faction, Kanemaru offered Kajiyama the post of justice minister to once again draw Kajiyama close to him. It is reported that on the night of 12 September, long before Kanemaru notified the LDP upper house members that the person would be chosen from the lower house, Kanemaru only had Kajiyama in mind.

Kajiyama positively declined to accept Kanemaru and Ozawa's request to take the job. There were even arguments. However, on the morning of 13 September, when Ozawa pleaded "I need your help," Kajiyama finally accepted.

During this time former Prime Minister Takeshita, who was traveling abroad, was "kept excluded from the affair." It is possible that there may be new conflicts between Takeshita and Kanemaru, who are already estranged.

On the other hand, upper house LDP members, who thought that a candidate for the post would be chosen from among them, were greatly "shocked" by this action and upset with the lower house.

At first these upper house members thought that the president of the House of Councillors, Yuji Osada, former director of Science and Technology Agency, was a strong candidate to replace Hasegawa. These LDP upper house members rejoiced that "an upper house member could serve in the cabinet twice, setting a precedent," according to a leading Takeshita faction member in the upper house. Therefore, when they were notified that a lower house member was appointed to the justice minister post, some hardline LDP executives in the upper house insisted that all upper house members serving in the cabinet should resign.

At an emergency meeting of the LDP upper house executives on 13 September, Secretary General (of the House of Councillors) Juro Saito explained: "This personnel action is an exception." Although some members acquiesced, others said: "It was not our fault that we lost in the last upper house election, so why do we have to give up a cabinet post?"

This affair may leave a heavy residue of hard feelings between the upper and the lower houses. LDP executives fear that "if the upper house LDP members, who are already a minority, become uncooperative, it may affect Diet management."

Shintaro Ishihara Readmitted to Abe Faction

WA1110010O Tokyo ASAHI SHIMBUN in Japanese 8 Oct 90 p 2—FOR OFFICIAL USE ONLY

[Text] On 7 October, the Abe faction of the Liberal Democratic Party [LDP] agreed to readmit Shintaro Ishihara (lower house, from Tokyo's 2d District), who left the faction after announcing his candidacy in the August 1989 LDP presidential election. The faction also readmitted Shizuka Kamei (Hiroshima's 3d District), who left the faction in connection with the election of [Sosuki] Uno as LDP president. Jinen Nagase (from Toyama's 1st District), formerly a member of the LDP's Watanabe faction, was also enrolled.

With these additions, the strength of the Abe faction increased to 66 members in the lower house and 25 in the upper house, for a total of 91 Diet members.

Abe, Takeshita, Nakasone Fail To Gain Influence

902B0237A Tokyo SHUKAN JIJI in Japanese 25 Aug 90 pp 38-39—FOR OFFICIAL USE ONLY

[Article by Ichiro Nagata]

[Text] What has caused a stir in an overall calm political situation is the triumvirate golfing of Nakasone, Takeshita, and Abe. And because it is these three men whose influence is rumored to be on the wane, the purpose of their game is probably "to make a show of their existence." Their actions signal the start of reestablishing the authority of the "Taisho generation," which includes Miyazawa, who was not present on the day of the game. The response of the Liberal Democratic Party [LDP], however, was cool and it looks as if the impact of their actions will cause only a ripple in the political situation.

(Honorific titles omitted from text.)

The origin of this triumvirate of golf came about immediately after Nakasone named Takeshita as his successor to leadership of the Liberal Democratic Party in October of 1987. Abe and Miyazawa, who had also announced their own candidacy in the same election for party head, were also included. The first game, therefore, was carried out by four members. And it was also planned for the four members to play golf together periodically thereafter. However, after Takeshita took over the reins of government, such events as the Recruit scandal occurred and the plan never saw the light of day.

Recently, at the suggestion of a mutual friend, who is a leading member in the business world, it has finally become possible to realize the original plan. Miyazawa did not take part because of the pressures of a planned trip overseas. Although there are members of the Liberal Democratic Party who are intimating that "getting

Miyazawa out of the way is the aim," Miyazawa vehemently denies this saying, "I was the first one informed about the game. I was told that there was going to be a dinner party the night before the game and had planned on attending. However, I was unable to go because of preparations for my trip overseas. I intend taking part at the next opportunity."

Numerous political reporters from each company and their cameramen besieged the Fujizakura Country Club near Lake Kawaguchi in Yamanashi Prefecture where the "Naka-A-Take" golf game was carried out on 31 July. They said something about the results of the golf game being off the record.

Despite that, what was revealed by people concerned was that "Abe-chan came in first with a score of a little over 100. And Nakasone and Takeshita were neck-and-neck."

"On the first swing, Abe-chan hit the ball the farthest. And he was able to maintain that edge throughout the game. He had good face color and was in high spirits."

Representative Watanabe Hidenaka, a Nakasone faction member who took part in the golf game, stressed Abe's "healthy" condition. While putting aside speculation as to whether or not the aim was to "get Miyazawa out of the way," it looks like it would not be a mistake to assume that Abe is going to be touted as a candidate for leader of the party.

Because talk of "poor health" has been dogging Abe, it would appear that what was trying to be said was "being able to play golf in the middle of summer is proof of good health," (a leader of the Abe faction).

Includes Ulterior Motives of Stressing Reinstatement Into Party, Governing From Seclusion, and Robust Health

"Don't overwork. Concentrate on taking it easy and saving up your energy for the game. Having to drop out in the middle of the game will be counterproductive." Because such talk was strongly stated within the Abe faction before the golf game, the atmosphere within the party was one of great relief after the game ended without mishap.

Behind politicians playing golf with a fanfare lies an appropriate reason. If that reason were to be stated for the present game, it would probably be that the three are attempting to put a damper on the drift toward changing of the guard. Even though the ulterior motive of each of the three varies, they are in complete agreement concerning the changing of the guard.

Nakasone, who is the "contriver" behind the golf this time, is aiming for reinstatement in the Liberal Democratic Party. He is revealing that he has his eye on becoming the coordinator of the new leaders. He is trying to recapture his dream of being the king maker. However, there was even a problem with Nakasone simply returning to the Watanabe faction (former Nakasone faction). Reinstatement into the party does not look like it will go easily. The Nakasone allergy is as deeply rooted as it formerly was. A simple golf game with Takeshita and Abe would in no way seem to lead to his being reinstated in the party.

And what about Takeshita? Nakasone is the father of "government by Takeshita." It would have been very difficult for him to beg off when invited. However, for Takeshita, who is attempting a return to the main stage of the political world, it is a sure thing that whether or not such an action would be a minus was taken into account. Takeshita's strategy is to demonstrate his leadership in the post-Kaifu era and to make "cloistered government by Takeshita" a reality. And as fate would have it, the biggest rival of Takeshita is Shin Kanemaru. At present, Kanemaru is the mentor of Kaifu and is hinting that continued Kaifu leadership be decided on at the election for party leader to be held in October of next year. Kanemaru intends to let Kaifu, who was born during the Showa era, continue as prime minister. He intends to jump over the new leaders and in one fell swoop turn the gears of the changing of the guard to the administration of a neo-new leader. He must eventually come into conflict with Takeshita, who would like, if possible, to establish the Abe administration and delay changing of the guard. It seems as if it would be appropriate to call this golf game extra innings in the Take-A battle over changing of the guard.

Although the Allied Forces Were Arrayed To Stop the Changing of the Guard, They Lacked the Necessary Power

It seems that Kanemaru was not informed about the golf game before it took place. It is said he asked with flat coolness, "Who organized this golf game? Recruit?" For Kanemaru, there is no doubt that this gathering was "less than amusing," (leader of Takeshita faction).

If this group had gathered just 10 years ago, there would have been a great commotion. This time, however, the Liberal Democratic Party is parrying their move coolly.

"Even if those three get together, nothing will be decided. Even if Takeshita-san says that Abe-san will be next, it is nothing more than chit-chat. Nothing will come of it," (young member of the Komoto faction).

"Those three are no longer controlling the political situation because it is now the Kanemaru-Osawa line. They might be trying to cope with that situation, but...." (representative from the nucleus of the Takeshita faction).

"A-Take-Miya" are three rivals who competed with each other for the seat of power. The relationship between Abe and Miyazawa is one of competing for dominance in the post-Kaifu era. However, since "an enemy's enemy is an ally," they formed allied forces to obstruct changing of the guard. Despite this, it looks as if they do not have the power to confront Kanemaru-Osawa, who are at the zenith of their power, head-on.

Although the disciplinary confinement of the three people making up "A-Take-Miya" has ended, they still have to make one final effort to achieve a "comeback." The actual state of affairs, however, is that the power structure of the political world has shifted greatly from the Taisho era to the Showa era. "Taisho is far off" has begun to be whispered in the Liberal Democratic Party.

Abe's Hospitalization Causes Ripples in LDP

902B0264A Tokyo ASAHI SHIMBUN in Japanese 18 Sep 90 p 2—FOR OFFICIAL USE ONLY

[Untitled Article: "Abe's Cancelled Trip to the Soviet Union; Complex Ripples Within the Liberal Democratic Party"]

[Text] **Fluid Political Situation If Prolonged?**

Each Faction Paying Attention to State of Illness; Abe Faction "Looking Forward to Another Day"

Abe faction chairman and former Secretary General Shintaro Abe's—a Liberal Democratic Party (LDP) powerholder seen as the farthest on the right wing of the party eyeing the "post-Kaifu" political scene—abandonment on the 17th for reasons of health a visit to the Soviet Union from the 20th is sending complex ripples throughout his party. For the time being, there is a mountain of important political topics such as [Japan's] response to the Middle East situation; there is almost no view that Abe's illness will lead directly to a change in circumstances in the government or the LDP. But if Abe's convalescence is prolonged, such things are predicted that—as the "post-Kaifu" moves of each faction within the party grow lively—the political situation will become fluid. It appears that the Kaifu government will have to deal with instability. Each faction in the party is turning its rapt attention to Abe's illness, watching closely the direction of the political situation.

Abe flaunted the appearance of a recovery this summer, enjoying golf with former Prime Ministers Nakasone and Takeshita in Yamanashi Prefecture and such. But with such happenings as his catching a summer cold while in Kumamoto Prefecture to give a campaign speech, there came to be a deep-rooted view within the party doubting the state of his health. At the time Abe checked back into a hospital on the sixth of this month for an "examination" to check his condition before his trip to the Soviet Union, there was even the opinion that, "It's rather serious, isn't it?" In the midst of this, not only those around Abe but also Takeshita faction Chairman Shin Kanemaru advised him that, "Recovering your health is most important. You should put off your trip to the Soviet Union." Former Prime Minister Takeshita also let slip the same kind of thinking.

In the Abe camp, those close to him such as his second son Shinzo—his private secretary—and Abe faction Secretary General Hirsohi Mitsuzuka started gathering after noon around the Juntendo Hospital attached to Juntendo University in Tokyo where Abe was hospitalized. It was the final examination before the trip to the Soviet Union. Toward the suggestion that those around him anxious for his health made—"This time, what if you called off your trip to the Soviet Union?"—Abe did not change his position that, "I've made prepartions up to now, so I want to go by all means." In the end, it is said that Abe himself made the final decision to cancel the Soviet trip.

A chorus of Abe faction leaders spoke of "waiting for another day no matter when. Our sole concern is for his recovery. For the sake of aiming for next fall's election for party president as well, it is our judgment that there be no overdoing things at this point." They showed a feeling of wanting to reduce the repercussions to the smallest extent possible. But talk abounded among the faction's young dietmen that, "To cancel his trip to the Soviet Union on the verge of departure.... With this, Abe's campaign for election as party president has become difficult."

On the other hand, leaders from the other factions were seen scrambling to get on top of the situation but showed outward calm as news of Abe's illness trickled out. Moreover, because of the difficulties in the diplomatic and domestic political situations as well, many responded as did a leader of the Miyazawa faction: "There is nothing to do but escape confusion within the party and strengthen our unity centered around the prime minister."

But with Abe's worrisome illness taking the form of "a cancelled trip to the Soviet Union," there is a strong outlook that it appears there is no escaping a weakening in Abe's medium to long-term political position. The fact that 60 dietmembers are going in the delegation to the Soviet Union headed by Abe is points up the view, itself in and outside the party, that Abe is the frontrunner aiming for the "post-Kaifu" prime minister's seat. It was the prevailing view within the party that, if by chance the Kaifu adminstration were suddenly to fall, Abe would probably succeed him. He was widely expected to run in next fall's election for party president. Abe's health is taken as the biggest controlling factor in the political scenarios hereafter.

Even while a senior member of the Miyazawa faction backing Kiichi Miyazawa—who, as expected, is eyeing the "post-Kaifu" scene—took care to say that, "Miyazawa would lose face if we were to make like we were moving to take advantage of our rival Abe's sickness," the senior faction members were on the telephone analyzing the situation within the party. A party elder let slip that, "I'm sorry, but I have to assume a political situation without Abe and build my political strategy on that basis."

Also, the Watanabe faction that Michio Watanabe is leading is offering its cooperation in establishing a "post-Kaifu" Abe administration. As insurance, it is painting a strategy for coming to power in aiming for the "next after the next." However, if the prospects for an Abe administration grow increasingly less realistic, it is certain that the faction will be pressed for a thorough revision of its strategy. But the view is strong that the circumstances in which the Kaifu administration will continue so long as it has no failing points are basically unchanged. There is the prudent position that, in the words of a party leader, "In the absence of a leading candidate for party president, [Kaifu] will be knocked out by someone who stands out by the process of elimination."

In the Takeshita faction, the party's largest and the one that became the moving force in launching the Kaifu government, Chairman Kanemaru is even hinting that, with Prime Minister Kaifu's high support ratings from the people and the anxiety concerning Abe's health, Prime Minister Kaifu will "continue in office" even after the end of his term as LDP president next fall. On the other hand, former Prime Minister Takeshita has been letting show his longstanding hopes—turning on the "Abe-Takeshita connection" based on his relationship of personal trust with Abe—for establishing an Abe administration.

For the time being, in the words of a middle-ranking faction leader of the Takeshita faction, "There is no change in our continuing to support the Kaifu administration." On the other hand, criticism directed at Kaifu is gradually growing stronger on the issue of the government's support policy in the Middle East. There is a tendency to predict, in the words of a former cabinet member, that even with the Takeshita faction, "From now on various movements will appear behind the scenes. Won't critical decisions be called for from situation to situation?"

Prime Minister Concerned About Influence on His Government's Base

Concerning Shintaro Abe's cancelling his trip to the Soviet Union for reasons of health, Prime Minister Kaifu made such vague statements as, "It's a matter of his taking care of himself in preparation for a study session of the Abe faction in October, so...." Those around the prime minister also held their tongues concerning its effect on the political situation: "It is a problem involving the health of a politician, so I cannot comment on it." But, depending on a change in the condition of Abe's illness, there is the possibility in the "happy-go-lucky" political situation for a change to occur involving the base of the Kaifu government. It is setting the movements of all the factions on edge.

As for the prime minister, Abe is the one in the party whose existence is of the greatest concern. He is seen as the most powerful individual aiming for the next administration because of his not insubstantial ties to both former Prime Minister Takeshita and former Deputy Prime Minister Kanemaru who lead the Takeshita faction—the party's largest—upon which the prime minister relies. What was worrying the prime minister in particular was that Abe was trying to assume a leading role toward a breakthrough in Japanese-Soviet relations. With Foreign Minister Shevardnadze's recent visit to Japan, both countries are moving slowly toward improved relations leading up to President Gorbachev's visit to Japan next April. In this connection, it is a situation where as long as the activities of Abe—who is well acquainted with Gorbachev—stand out, they chip away at the prime minister's sense of well-being. In that sense, for the prime minister, the suspension of Abe's trip to the Soviet Union means a "retreat of a rival" for the time being.

But what worries those around the prime minister is that the party situation is becoming fluid. Along with a deepening sense of opaqueness in the movements of the Abe faction, there is the possibility of strengthened contacts of a part of that faction with the Takeshita faction and, furthermore, of new moves by the Miyazawa and Watanabe factions. If the "retreat of a rival" in turn leads to a fluid situation within the party, the government's base is likely to be shaken. It seems the prime minister also is beginning to resolve to conduct his government after having mulled over such a fate.

Minority Parties Reconsider Word 'Socialism'

902B0239A Tokyo YOMIURI SHIMBUN in Japanese 19 Aug 90 p 2—FOR OFFICIAL USE ONLY

[Text] **Minority Parties at Pains Over How To Deal With "Socialism": Komeito and Japan Democratic Socialist Party Reconsider Platforms; Groping for a Distinctive Key Word**

The question of how to reconsider the word "socialism," the basic doctrine incorporated in such current platform planks as "human socialism" (Komeito) and "realization of a socialist society" (Japan Democratic Socialist Party), has become the greatest focal point of the work of drastic reconsideration of party platforms which the Komeito and Japan Democratic Socialist Party are advancing. Behind this lie the breakdown of socialism and trend toward democratization in the Soviet Union and Eastern Europe since last year, and at the same time, the idea of wanting to appeal on the basis of the individuality of moderate forces, which is apt to remain obscure amidst the bipolarization phenomenon of the Liberal Democratic Party [LDP] and the Japan Socialist Party [JSP]. But, since it is a reconsideration of basic doctrine, there is also resistance within the parties, involving such things as party-line problems, so it seems likely that coordination within the party toward the devising of new platforms will take time.

In the Komeito, the Platform Drafting Committee only just started work on 27 July toward establishment of a new platform at the party conference to be held toward the end of November. The current platform is a 1970 rewrite of the old platform (established 1964), which was done because of the separation of politics and education occasioned by an incident of press publication censorship, and the main point of the reconsideration is the expression "human socialism" which has been retained from the old platform.

Among the party executives "human socialism was imbued with such meaning as respect for welfare and the guaranteeing of social fairness, but the word 'socialism' has begun to take on a bad connotation because of the breakdown of socialism in the Soviet Union and Eastern Europe" (party executive), so the idea that they should eliminate the word socialism has been spreading.

Even so, it is said that the word human socialism was originally proposed by Chairmen Emeritus Taisaku Ikeda of the *Soka Gakkai*, and that there are also many party members who have an emotional attachment to this expression, so whether the party executive will be able to eliminate the word socialism and convert it to the word "humanism" is still a delicate question. Actually, at the first meeting of the Platform Drafting Committee the committee split on whether or not to eliminate socialism, so a conclusion was put off till later.

Furthermore, in regard also to rebuilding the doctrine of "moderation," "noblesse oblige," a term borrowed from a foreign language, has also been studied from the standpoint of attaching importance to internationalization, but amidst the phenomenon of bipolarization of the LDP and JSP, the position of moderation is even more unclear, so the actual situation is that they are racking their brains searching for a key word.

Meanwhile, at the meeting of its (newly established) committee on 17 July, the Japan Democratic Socialist Party decided to entrust a group of scholars with drawing up the draft of the party's new platform, but adverse reaction and voices of doubt appeared from within and from outside the party, so, making an about face, they withdrew this policy, so they have fumbled even in the aspect of procedure.

The main point of the reconsideration is such expressions as "realization of a socialist society" and "a change to public ownership and socialization of industry" which appear in the current platform, which was adopted in 1962. Within the party these points are said to be "already behind the times" (Chairman Ouchi), so there is not that much dissent concerning deletion.

But what is a problem is the handling of "democratic socialism," the basic doctrine of the party. In contrast to the fact that former Chairman Saburo Tsukamoto and his group are of the thinking: "how about deleting the word 'society' in order also to make clear the difference between us and the JSP, which has drawn near to democratic socialism?" the last chairman, Eiichi Nagasue and his group asserted: "It is precisely now, when the international situation has changed, that we should have self-confidence in democratic socialism."

Resistance to reconsideration of the expression is also deeply rooted in the largest support organization, the Yuai Kaigi, which says: "Reconsidering to match the times is fine, but there is no need to go so far as to change the basic doctrine" (executive). Voices are also appearing which fear a rekindling of intraparty conflict involving the political line, which say "If we go so far as to take up democratic socialism for reconsideration, there will be trouble inside the party again."

The Japan Democratic Socialist Party is also keeping an eye on the unified local election of next spring, so it plans to strengthen the skeleton of the new platform at the meeting of the Central Committee this autumn, without waiting for the party conference which is scheduled for February of next year, but it is a situation that is very hard to manage.

Changes in Funding Promotes Weakened Factions

902B0225A Tokyo SANDE MAINICHI in Japanese 19 Aug 90 pp 167-169—FOR OFFICIAL USE ONLY

[Article by Muneichi Suzuki: "Secret Strife in Nagatacho"]

[Text] **Political fund-raising by factions within the Liberal Democratic Party [LDP] is tapering off due to party discipline. A new approach to raising money attempted by the Takeshita faction, called a "policy group," was squashed by financial circles the first part of July. The financial circles, closing ranks behind LDP Secretary General Ozawa and others, has cut off factions and individual politicians from funds and stands ready to promote political reform.**

It is said that "a political faction is an aggregate of people and money collected for the purpose of acquiring political power and establishing its preeminence." Although by this definition a political faction must collect lavish contributions, the situation has recently changed.

First of all, during the era of the Miki cabinet the mechanisms for making business contributions to political coffers were severely restricted. For this reason, fund-raising parties were used as a way to gather up money and both individual politicians and factions went wild. It was whispered that, "Not a day has gone by when there wasn't a fund-raiser going on somewhere." In particular, prior to the post-Nakasone election of party president in 1987, every faction was conducting fund-raisers on a large-scale. It was said, "The Takeshita faction collected 2 billion yen and the Nikaido faction 1.5 billion. From then on the winds blew hard in the direction of fund-raising parties.

Some in the business community were heard to say, "Diet member groups use their offices to dole out coupons," and, "They come hither and thither endlessly hawking their coupons without fear or shame for their reputations." Against that background a profound change has taken place: "With the passing of the era of rapid growth, the usefulness of the politician to business, which has made its adjustments, has diminished." This is especially true of the construction industry from whose leaders we hear what things have come to: "Intervention by politicians just creates confusion."

Stemming from this situation, the then secretary general of the LDP, Abe, in 1988, just prior to the Recruit scandal, issued a notice on party self-discipline, which said:

- 1. The income and expenditures of political fund-raisers sponsored by political groups will be reported to the Ministry of Home Affairs.
- 2. Cabinet members, the vice president and senior party functionaries will exercise self-discipline.
- 3. Factions as well as groups categorized as such will exercise self-discipline.

This was subsequently promulgated as an oral notice of self-discipline by the parliamentary vice minister.

At the same time, Mr. Joji Fukujima, chairman of the Subcommittee on Political Contributions to the LDP Research Commission on the Election System, prepared a draft bill, but it was not aimed at factional discipline.

Mr. Fukujima was thinking, "If the factions were included, they would lose out. Fund-raising parties are a major source of income for the factions." However, Mr. Nihachiro Hanamura, then director general of the Federation of Economic Organizations [Keidanren] made a strong appeal, "We want factional fund-raisers to cease. They're out of hand." Partly for this reason, Secretary General Abe confided in the chairman of the LDP Research Commission on the Election System, Mr. (Masakiyo) Gotota, "Yes, I suppose the factions should stop." Mr. Gotota summoned the chief secretaries of all the factions, and in "an atmosphere that was indescribable, with pleas of 'No, that's impossible,' etc.," the factions gave in to fund-raising self-discipline.

Nonetheless, in the secretary general's announcement was the proviso, "Our goal for the next regular session of the Diet is to make preparations for amending the law regulating political funding."

The significance of this was to be an on-average 45 percent increase in total political contributions allowed as compensation for factional self-discipline. The plan called for an increase from 100 million yen to 200 million yen for 100 billion yen or larger companies, from 67.9 million yen to 125 million yen for 50 billion yen businesses, and from 7.5 million yen to 20 million yen for 10 billion yen businesses, but with the Recruit uproar the bill was not introduced in the Diet and hasn't been to this day.

The first faction to attempt new methods of money collection to replace the fund-raiser was Mr. Takeshita's Keisekai. There was a friendly Keisekai fund-raiser the beginning of April at which Mr. Takeshita's private secretary Fumio Aoki whispered the following to Mr. Kozo Watanabe, the secretary general. Mr. Fumio Aoki succeeded Mr. (Ihei) Aoki as keeper of Mr. Takeshita's political war chest.

"Times have changed. It's steadily becoming more difficult for factions to raise money. We need to make accommodations quickly."

Mr. Takeshita was saying earlier, "Nearly all Keisekai working funds are subscribed." In fact, it practically owned the faction. Moreover, the Keisekai was exercising discipline over fund-raisers of the younger Diet members and then had to take care of them. Whereupon Secretary General Watanabe and Chief Secretary Kumagai, in consultation with key members of the Keisekai, including Secretary Aoki, his staff and others, came up with the "policy group" approach.

When during the Fukuda cabinet it was said that factions would be dissolved, the Tanaka faction transformed into a policy group called the New Amalgamated Policy Research Society and planned to keep going. The society's director was Mr. (Masami) Ono, former Japanese ambassador to England. The chief secretary was Mr. Tatsuo Ozawa. They blindly followed orders.

When they sought society President Kanemaru's concurrence the latter part of May, Kanemaru asked, "Since we don't have money problems right now, what is it you're planning to do?"

"Well, we're setting up a policy group," they explained and got Kanemaru's go-ahead.

The plan was, "Select 100 to 150 of the truly top echelon companies. The annual society fee will be 2 million yen a throw. Current Diet members in the faction will not collect money through their offices. Dubious companies will be weeded out in the process of give and take."

"Let's get this done before the end of the regular Diet session."

Mr. Kozo Watanabe obtained Secretary General Ozawa's concurrence. At the beginning of May he visited Finance Minister Ryutaro Hashimoto and said, "Here's what I want to do. Therefore, I would like introductions to companies." The finance minister answered, "I understand." He relates that they agreed to enroll some 100 companies by the beginning of July. Having reached agreement, they met first with the Federation of Economic Organizations [Keidanren] and then the Japan Association of Corporate Executives [Doyukai] to ask, "Can we enlist you in our new special endeavor?"

Takuji Matsuzawa, vice chairman of the Keidanren and chief negotiator for Fuji Bank, and Takashi Ishihara, managing representative of the Doyukai, both firmly opposed this new approach.

Mr. Matsuzawa, known as a political reformist, felt, "We shouldn't give money to factions. The money ought to go directly to the party." Mr. Ishihara in similar fashion spoke for businesses connected with the Doyukai, saying, "I doubt your people are in agreement with this."

At about this time on the occasion of a financial circle fund-raiser, Mr. Takashi Ishihara snapped at Finance

Minister Hashimoto, "Perhaps you don't understand because you are in government, but this business is troublesome."

On 3 July, then president-elect of Peru, Alberto Fujimori, met with financiers at the Keidanren hall. Afterwards Eishiro Saito, chairman of the Keidanren, Takashi Ishihara, president of the Doyukai, and Eiji Suzuki, president of the Japan Federation of Employers' Associations [Nikkeiren], gathered. Absent was head of the fourth group, Rokuro Ishikawa, president of the Japan Chamber of Commerce and Industry.

"What should we do about the Keisekai proposal?"

"All things considered, contributions to factions should be opposed."

Knowing this, Keidanren Secretary General Masaya Miyoshi said the following on a visit on 5 July to LDP headquarters with Secretary General Ozawa and Director General Gentaro Nakajima of the LDP's Treasury Bureau.

"The financial circles are donating money directly to the LDP. What we are talking about here is a new fund-raising effort on the part of party factions. I fear that if we respond, every other faction will follow suit."

On the sixth, Secretary General Ozawa called in Secretary General Watanabe of the Keisekai and Secretariat Director Kumagai. Secretary General Ozawa was abolishing the factions.

"Although you and your people have been pushing this new approach, the financial world is making clear representations that it wants you to stop. They are also saying that if you work through the party your efforts will not have been in vain."

Mr. Watanabe responded, "For our part, our aim is not just to raise money, but it is our goal to become a policy group. However, the times being what they are, we can't afford mistakes. Since I understand the party's position, I will talk with the society's chairman."

When this was relayed to Mr. Kanemaru, he answered simply, "I understand. Fine. No need to do this fund-raising recklessly."

Whereupon, the Takeshita faction's Keisekai abandoned its policy group approach. Later, Mr. Watanabe visited Finance Minister Hashimoto at the Finance Ministry and said, deferentially, "Well, it looked to be very unpopular, so we put an end to it."

Mr. Eishiro Saito told a new reporter, "We'll increase political contributions coming through the front door at party headquarters."

It is understood that the increase will come about as the financial world makes contributions directly to party headquarters while refusing to give contributions to the factions.

Finance Minister Hashimoto made the astute observation that, "On the occasion of the next lower house elections, I suspect factions will lose power and continue to lose influence."

Mr. Hashimoto was party secretary general at the time of the devastating upper house elections. The financial world cringed at the Recruit and Uno scandals and was cold to Mr. Hashimoto's requests for assistance in the upper house elections. The financial world's tone was one that losing a little would be good medicine. But its leaders were shocked by the LDP's devastating defeat.

"Things can't continue like this. Too heavy a dose of medicine. If the LDP loses the lower house as well, it will be terrible."

At this point, Secretary General Ozawa arrived on stage. Ozawa, who had offered himself as secretary general in order to win the lower house election, resolved the following, "If the party is not centrist, we cannot win. We must eliminate bickering among party factions."

Mr. Ozawa pressed hard for adhering to a course that would wring public support for LDP party candidates and enhance public approval.

This coinsided with the request by financial circles for party reform—modernization of the LDP. Financial circles, still touting the evils of factionalism, think, "Recruit happened because there were factional disputes, and this brought defeat in the elections." Financial circles have donated to the LDP headquarters an amount said to be 30 billion yen and Mr. Ozawa has distributed it among all factions. Secretary General Ozawa won in the general election.

"I think our friend Mr. Ozawa did very well. The reason for his victory was his forceful leadership," says Finance Minister Hashimoto, who is seen as his rival. He added, "The by-product is that factional power is gone."

He points out that the financial circles, against a background of making contributions directly to the party, are anxious to prevent the foundations from sinking too far.

The president of Diamond Co., Yoshio Tsubouchi, who is well heeled in financial circles, observed, "Until recently, there were three elements: the administration, the bureaucracy and the financial circles. The bureaucracy was weak when compared with with respect to the administration, which held the authority of the people. The administration was weak with regard to the financial circles, which doled out the money. And the financial circles were weak with regard to the bureaucracy, which held the authority to regulate and license. However, the administration gained strength over the financial world and became "almighty." The financial world responds that that was not the reason for their doggedly doling out money to factions and individuals without regard to principle. The financial circles were aiming at restoring the balance by doggedly making these political contributions."

This trend will have an enormous impact on political—indeed electoral—reform. Deputy secretary general to Secretary General Ozawa, Mr. (Keisuke) Nakanishi, says, "Since the general election, political reform in the realm of political contributions has already been realized. Election reform will move forward by riding on the back of this."

Mr. Hashimoto observes, "There is criticism of the system of single-member constituencies standing side-by-side with multi-seat constituencies. If this is an ill-wind that is blowing against you, you will have strong feelings. For this reason, political funding is not going to factions and individuals. The trend is to distribute funds from the party level. This is a tail wind that will boost from behind. At present we may have trouble distinguishing between the two winds."

So, which wind will win?

Nikkei Interviews Leading LDP Politicians

902B0234A Tokyo NIHON KEIZAI SHIMBUN in Japanese 14-19 Aug 90—FOR OFFICIAL USE ONLY

[Undated series of interviews: "How Is the Political Situation Moving? Nikkei Asks Liberal Democratic Bosses"]

[14 Aug 90 p 2]

[Interview with Shin Kanemaru by Nikkei correspondent; place and date not given]

[Text] **If High Marks, Prime Minister Will Continue in Office; Associate Who Trades Direct Remarks With Takeshita**

[Nikkei] Let's start with your assessment of Kaifu.

[Kanemaru] Looking at his statements at the recent summit (G-7 summit), I think that he did well for his first time. People are giving him extraordinarily high marks. He is truly laying his life on the line in dealing with every problem. I think that this simple position sits well with the people.

[Nikkei] Can you also continue your support of the prime minister after his term as LDP [Liberal Democratic Party] president ends next fall?

[Kanemaru] In politics no one knows what lies ahead. Whether he has it or not is decided at that time. Now I am not in a position to be able to say, but I am of the opinion that (as long as the assessment of the prime minister) is good, he will have the support.

The People Will Decide Post-Kaifu Scene

[Nikkei] How do you see Abe?

[Kanemaru] I think Abe is also a great person. Perhaps Abe will be next after Kaifu. However, the people will decide that. It's not a problem that some politicians should determine as they see fit.

[Nikkei] Miyazawa recently has also been in high spirits, right?

[Kanemaru] Seeing Miyazawa's recent activities, I see that he is making some rather lively moves.

[Nikkei] Miyazawa is 70 years old. I wonder whether or not he can change his style as a politician.

[Kanemaru] What is learned in the cradle is carried to the grave or something, right?

[Nikkei] How is Watanabe?

[Kanemaru] He is also giving it his all. Recently, especially.

[Nikkei] You seem to have great hopes for Secretary General Ozawa....

[Kanemaru] I have the feeling that this youngster knows politics by heart. As a politician, he is the kind of guy who deserves support. While fully supporting this kind of politician as his elder, I certainly would like to have him work for the sake of the nation.

[Nikkei] It is also pointed out that he throws his weight around because he has your backing.

[Kanemaru] Maybe so. There are such people who are daring. Fully digesting, reflecting upon, and rebutting such criticism, he will wait for the future. I think he has what it takes.

[Nikkei] How are you really getting along with Takeshita?

[Kanemaru] Neither one of us does anything to make the grandchildren that we have in common cry. But taking the standpoint of the nation's people, we have a relationship where we both try to say what should be said. People say various things, but the causes of the times that I said various things (to Takeshita)—as everyone knows—are that people would wonder whether Shin Kanemaru was a politician, whether he was a man. (Takeshita) showed to me his feeling that there had been a mistake, an error, so that it wasn't necessary for me to say anything further.

Electoral Reform Faces Difficult Prospects

[Nikkei] Recently, one hears voices speaking of a "Kanemaru fascist system" or a "Kanemaru-Ozawa hegemonic system."

[Kanemaru] I'm very sorry to hear such things.... I'm an uncrowned main actor who is not even a senior adviser.

[Nikkei] Recently, one does not hear much of your convincing argument for reorganizing the political world.

[Kanemaru] I am talking about it. But I should say that it's a rather difficult problem. Is it really good to leave the present politics as is? Can the Japan Socialist Party in its present shape really assume power? Is the present Liberal Democratic Party satisfying the people? If you think about it, improvement of the political world's constitution is necessary. In the LDP there is a left and a right but their joining together is strange. Reorganizing, we have to have a change in governments where, if one side loses, the other side takes over.

[Nikkei] How about the prospects for reform of the electoral system?

[Kanemaru] Amidst the continuous responsibilities of the LDP, it is a natural responsibility that we must confront honestly. However, at the time of the correction of the number of seats by adding eight and subtracting seven, I was chief cabinet secretary of the Nakasone cabinet. But I have the feeling that since then we are not capable of doing such a thing. But I think we should not oppose it.

Window on North Korea Necessary

[Nikkei] The rice problem is also terrible, isn't it?

[Kanemaru] From the standpoint of food security, it is a question of what would Japan do in the event of a crisis? How much food does Japan buy from the United States? We have to respect free trade, but Japan's position is, "Please pardon us concerning rice problem."

[Nikkei] Are you eager to visit North Korea?

[Kanemaru] The Korea peninsula a long time ago was Japan's colony, and [we] caused various troubles. We must create a window between North Korea (the Democratic People's Republic of Korea) and our government. I expect we also must give compensation (reparations) to North Korea. One other thing is that I must return home with two crewmen (in detention) of the No. 18 Fujisanmaru.

[boxed item] Clearly Favoring Ozawa

As chairman of the Takeshita faction—the [ruling party's] largest—he made Ozawa [LDP] secretary general and exerts his influence on the political scene. There are even those who call him "Deng Xiaoping Kanemaru." Prime Minister Kaifu both depends on him and fears him. Those within the party alternate between joy and sorrow at Kanemaru's ever-changing statements. In the rice problem, is the spadework effective? He is not saying much, a rarity for him.

His thinking that he would like to place Ozawa in the post-Kaifu [leadership position] shows through in his words that, "It's all right to favor him." But dissatisfaction in the Takeshita faction toward Kanemaru's leaning toward Ozawa is smoldering. The two-headed system of Kanemaru and Takeshita is keeping stability now in the midst of instability but, if it appears it will collapse, Kanemaru's influence will tend to fall. That he appears to understand fully the point is glimpsed here and there in his words.

[15 Aug 90 p 2]

[Interview with Shintaro Abe by Nikkei correspondent; place and date not given]

[Text] **The Autumn Will Be Interesting; Cannot Be Silent About Political Reform**

[Nikkei] It seems that the Kaifu cabinet has highly favorable support ratings.

[Abe] I think that they're extraordinarily good. That the people's support is high is a symbol that he's doing well in every area. Japan is also blessed in the diplomatic area. Everyone—including the prime minister—is making efforts, but Japan's role is growing larger and larger in the midst of the upheaval in Eastern Europe and the changes in the Soviet Union. Domestically as well, the economy and business conditions are stable. Everyone is cooperating, trying to help Kaifu. Kaifu became prime minister unexpectedly. In a certain sense, his political base is weak but has stabilized with that support. I believe that his sober efforts are earning him the good will of the people.

Unconvincing Proportional Representation

[Nikkei] Is the Abe strategy to support the Kaifu administration for the time being?

[Abe] It is not strategy or some such. If it is good for Japan, that's fine, so I would like to have the chance to give my all.

[Nikkei] But it seems that within your faction other arguments on electoral system reform are strong.

[Abe] Well, now, on the one hand, we cooperate, but I believe that if opinions do not agree on an important political problem, one related to the future of the LDP, we must state our opinions clearly and offer criticism. That is the problem hereafter. In particular, there are opinions on the electoral system both within the party and within my faction. I also have my thoughts on the matter. I am not thinking of collecting my faction's opinions and stating them, but finally when it comes time to put forth a proposal, I do not intend to remain silent. I also expect that, if it comes down to "all together now," we will all go together.

For example, even conceding that the single-member district system is good, a proportional representation system for the Chugoku region alone—if it is a separate block—still has unconvincing aspects to it. There is talk of me running at large or running from Osaka's electoral district [Abe is outlining the hypothetical choices open to him under the plan as a candidate in the Chugoku region that includes Osaka], but why does it come down to that? It won't do to be able easily move about. Then, how can one sy that the Electoral System Council's has come out with its proposal? This is the politicians' electoral system, so I think that in the end the Diet and the politicians should decide. If they can't even decide this problem, does it not seem that Japan's politicians are not very responsible?

Election for LDP President, If Time Comes

[Nikkei] Is there no change in the Abe-Takeshita relationship being the axis?

[Abe] Even though there are various differences of opinion in long relationships between people, there is no real change.

[Nikkei] It is said that recently your relationship with Kanemaru has become closer.

[Abe] People say various things, but basically nothing has changed. That's because of my long association of 30 years (with Takeshita).

[Nikkei] Your response to the end of the prime minister's term next fall?

[Abe] Now there is no need to think about that, nor am I in the position where I should say anything about it. Simply, as a system there is an election for party president next fall. I've come this far, so when the time comes I will have to think about it.

[Nikkei] So long as no head wind blows, will the Kaifu administration continue?

[Abe] There are various changes in the world of politics. If he does well, that's fine. That's because we aren't thinking of pulling him down quickly and replacing him.

[Nikkei] Miyazawa is moving energetically, meeting with Takeshita and such, right?

[Abe] That's really great. Because until now Miyazawa hasn't done that kind of thing. He should be doing that as a leader, so it's a good trend, isn't it? If he doesn't do it, we get the feeling that we are running by ourselves.

[Nikkei] What about Watanabe?

[Abe] It's fine if he does better and better. With that, politics becomes energized.

Decision to Push Body

[Nikkei] What is your response to the rice problem?

[Abe] There is a Diet resolution against liberalization. We have to protect this until the end. The opposition parties are the same way. The people will not trust the LDP, which was out front in saying it would defend rice, if it practices the politics of self-collapse.

[Nikkei] How is the condition of your health?

[Abe] Everyone speaks freely about it. If I get well, that's fine.

[Nikkei] What about the idea that, fighting against illness, one sees things in a different light?

[Abe] That is because one senses one's own mortality. You become calmer. It is a feeling that you do what you can do, and don't attempt what you can't do in life.

[Nikkei] Recently, there have been many clashes of opinion between party leaders.

[Abe] That things are unsettled can't be helped. If the election system or something appears, the clashes will start in earnest. Take a look. Things are going to become interesting in the fall. That's because we intend to push our bodies in order to defend party politics.

[boxed item] Abe Himself Opens Up on Widespread Rumors of Concern Regarding His Health

In the midst of the happy-go-lucky [Kaifu] administration, Abe is planning a trip to the Soviet Union following his trip to the United States in June. Recently, with his golf games with former Prime Ministers Nakasone and Takeshita and his talks with Takeshita and former Deputy Prime Minister Kanemaru, he has made known that he is still around with his eye on the post-Kaifu scene.

Because the Kaifu cabinet boasts of high support ratings, for the time being he can only support the Kaifu administration. The suffering within his breast can be espied in his having to say, "It's fine if he gives it his all." However, on the other hand, he also has to deal with many young members within his faction critical of electoral system reform. His intention to engage in battle this fall glimmers in his words, "I have no intention of being silent."

Within the party, as ever, unsettling rumors on his health are widespread. Abe himself feels like confronting them, but the key will probably be how he will be able to sweep them aside.

[16 Aug 90 p 2]

[Interview with Kiichi Miyazawa by Nikkei correspondent; place and date not given]

[Text] **Will Support Prime Minister Within Term; Must Make Efforts Aiming Toward a Miyazawa Administration**

[Nikkei] A trip to the United States, one to China, another to the United States, and a September trip to Europe. You're busy, aren't you?

[Miyazawa] That China continues to open and advances its reform system is to the benefit of Japan and the world. However, when there is an event like Tianamen, no matter how much U.S. President Bush tries, the other side [Beijing] does not respond. The President is criticized by the Congress for kow-towing (a bow touching one's head to the ground) diplomacy. Even he is troubled. Because I hear such talk, I am aware of the problem in visiting the United States and China that Japan must speak its mind.

[Nikkei] How were the results of your suprapartisan delegation to the United States?

[Miyazawa] The opposition parties, whose fine gentlemen are responsible individuals, also offered good announcements. Washington also thinks so. Good, isn't it? It would be better if they also continued hereafter, but they can't always do that.

[Nikkei] Viewing the powerful Kanemaru-Ozawa line, don't you have a fear of dictatorial politics?

[Miyazawa] I don't particularly feel that way. From the standpoint that there are people who have great influence beyond the party organs, it means those people have power.

Essentially, Because I Am Lazy

[Nikkei] Does your having met with Kanemaru and golfed with Takeshita have any relationship to your aim for a Miyazawa administration?

[Miyazawa] I expect that's right.

[Nikkei] The result?

[Miyazawa] It's not possible that (such a relationship) was achieved soon after playing golf.

[Nikkei] Will you continue hereafter?

[Miyazawa] If it's a very natural thing.

[Nikkei] But it doesn't seem like you.

[Miyazawa] Essentially, that's because I'm lazy. Worried, everyone tells me that it won't do, so now I think I have to work harder.

[Nikkei] What do you view as the reasons for Kaifu's popularity?

[Miyazawa] It's probably a kind of feeling of closeness, isn't it? I expect it's several things: his age, the circumstances, the way he expresses himself, whatever.

[Nikkei] Is it thanks to Kaifu that the suprapartisan delegation to the United States had its conversation with President Bush?

[Miyazawa] I am extraordinarily greatful to him. I was wondering why the White House had to meet the opposition parties. Afterward, when the opposition party representatives came, what would they do? I thought it was a bit of a nuissance, so I asked Kaifu before going to meet the President.

[Nikkei] Is there no longer any move to bring Kaifu down?

[Miyazawa] From the first, that has been mistaken....

Cannot Play With Fire

[Nikkei] Are the talks on the consumption tax between the ruling and opposition parties moving?

[Miyazawa] At present, it is an advantage that the (consumption tax) is working. If one is (against), then it becomes a matter of whether [the tax system] is good as it has been until now.

[Nikkei] How about the election system?

[Miyazawa] It comes after the consumption tax. I really cannot predict the outcome. The most important, vital part (a proposal to reduce the number of districts) has not appeared, so until then everyone will be silent.

[Nikkei] And if a plan to reduce the number of districts appears?

[Miyazawa] There will be an uproar, and then what will happen? This is a matter that starts from there. I expect that we will have to proceed including going as far as a law on political parties.

[Nikkei] Will it become a life-prolonging policy [for the Kaifu administration]?

[Miyazawa] It's deeper and more important. To think of joining it to prolonging the life of an administration is probably mistaken.

[Nikkei] If he can't do it, will he be pulled down?

[Miyazawa] I don't really know whether that will happen or whether he will deal with it at an appropriate time.

[Nikkei] You now hold to the position of supporting Kaifu, but will your response change after his term as party president ends next fall?

[Miyazawa] There are such things as rules, so.... There are two years for prime minister and party president, so within those limits we should fullly support him.

A Multitalented Person....

[Nikkei] There is talk of the K-K (Kato-Kono) War. Is your faction united?

[Miyazawa] I think so. It is good to have people with many talents. Faction members who have seen only one election also are a plus.

[Nikkei] Your assessment of Koichi Kato?

[Miyazawa] He's rather good.

[Nikkei] And your assessment of Yohei Kono?

[Miyazawa] That person is also rather good. Having led a party—even a small one—for 10 years, he has experience unavailable to others.

[Nikkei] What is your assessment of Abe?

[Miyazawa] He is someone who can sit properly in the toko-no-ma [a place of honor for guests]. But that expression is from long ago.

[Nikkei] Watanabe?

[Miyazawa] He's doing his best in getting a grip on his own faction, isn't he? He's a man who has a great deal of ability. A man like Watanabe or Kakuei Tanaka has a terribly good head on his shoulders. [His intelligence] differes from an official's way of thinking.

[Nikkei] Are there any after effects of the Recruit problem?

[Miyazawa] I experienced various things due to it, but I cannot say that its only effect was to arouse public opinion. It isn't that it's finished in the sense that people have completely forgotten it.

[boxed item] Resolve Shows as Last Chance Appears

These days his moves are lively. Such uncharacteristic activity as his "talks," one after the other, with former Deputy Prime Minister Kanemaru and former Prime Minister Takeshita are remarkable. He has long been said to be inept at "Nagatacho"-type horse trading, but is this Miyazawa-style perestroyka? He is also active in the diplomatic field, with two trips to the United States, one to China, and one to Europe. He appears to covet fully next fall's election for party president. He flatly rejects any move "to bring down Kaifu." On the other hand, his resolve shows in his statement that, "We should support him completely until the end of his term."

For Miyazawa, who turns 71 in October, next year is his last chance to take power. The succession struggle in the Miyazawa faction is already a factor. There are rumors of antagonism within the faction between former Japan Defense Agency Director General Kato and former Science & Technology Agency Director General Kono, but Miyazawa shows his ability to manage things by taking Kato with him to the United States and China and by taking Kono to Europe.

[17 Aug 90 p 2]

[Interview with Michio Watanabe by Nikkei correspondent; place and date not given]

[Text] **Election For Party President, Following the Party Rules; Extension of Term in Office by Electoral Reform not Possible**

[Nikkei] How do you see the Kaifu cabinet's popularity in the opinion polls?

[Watanabe] There are people who often talk of "leadership," but the problem is the conclusion. If the conclusion is good then everything is. In Prime Minister Kaifu's case, the entire party is cooperating, supporting policies amidst a party consensus, so putting together policies is easy and he is able to get results. This is nothing other than leadership.

At the recent summit of advanced countries (the Houston summit) also, he scored a great achievement in holding fast to his line of argument on such Asian issues as China. In Diet management as well, he has entrusted it to Secretary General Ozawa and is showing good results. The prime minister is explaining matters sincerely, in plain language. It's great.

[Nikkei] And from now on?

[Watanabe] Naturally, because it's a matter of his having a term in office, if he proceeds with the attitude like he's had until now during the contracted time of two years given him, then we completely support him.

If Healthy and With Youthful Attitude

[Nikkei] What is your response heading toward the end of the term of LDP party president next fall?

[Watanabe] That's talking about something more than a year away. When the time comes, I'll think about it. It's not that we should decide from now whether to replace him or reelect him.

[Nikkei] Will the election for party president follow party rules completely?

[Watanabe] I expect so, naturally. Beyond there being a term in office, a second look will take place. It's the same with a dietman's term in office.

[Nikkei] Will you raise your hand next fall?

[Watanabe] When the time comes, I'll think about it.

[Nikkei] Recently, Miyazawa has shown some fire in the belly.

[Watanabe] He's not moving according to his own personal agenda. He's providing supporting fire to make the government's diplomacy easier. It's probably all right to view it as various people cooperating by their various abilities with the Kaifu administration.

[Nikkei] How about Abe, who is burdened with the problem of his health?

[Watanabe] I meet him now and again, but it seems to me he is steadily recovering his health.

[Nikkei] Your assessment of Secretary General Ozawa?

[Watanabe] He isn't talkative, but he is a man who decides and acts, who thinks about things seriously, prudently. Therefore, you can trust him. In the future, he will certainly be capable of becoming prime minister. Or now, for that matter.

[Nikkei] The other day, Nakasone, Abe, and Takeshita played golf, making an appeal for the existance of the Taisho generation.

[Watanabe] Both Miyazawa and I are members of the Taisho generation. It's not a matter of age. If a person's in good health with a youthful attitude, isn't that all right?

Cacophony Within Faction Natural

[Nikkei] What is your basic thought toward electoral system reform?

[Watanabe] I think things are going extraordinarily smoothly and well. A change in the faction chairman in the past has meant repeated struggles and splinterings seven or eight times out of ten. But in our case, I think it is a blessing that everyone—even my humble self—abandoned his petty differences and stuck together to protect the faction.

[Nikkei] But it's said that there is some discord between Watanabe-line and Nakasone-line dietmen.

[Watanabe] Even if there is a certain amount of static, the dietmen are all under a single lord, but it's natural that they have personal opinions. Speaking like Kintaro Ame, democracy would cease to exist.

[Nikkei] As a manager of the agriculture *zoku*, how do you see the rice problem?

[Watanabe] I cannot conceive of the complete import liberalization of rice. We cannot do that. However, we won't know whether or not importing a grain of rice will fly if we don't try it in negotiations. We must think in accordance with the majority in the world.

A Decision After Seeing Plan To Reduce Districts

[Nikkei] Your basic thoughts regarding electoral system reform?

[Watanabe] In principle, I approve of a system of single-member districts. But if a proposal to reduce the number of districts appears, I cannot decide exactly what my attitude would be if I don't ask everyone's opinion. In particular, if we accept the running of nonaffiliated candidates and their entry into the party if elected, system reform has no meaning.

[Nikkei] If a political reform proposal gets under way next fall, it will become entangled with the end of the prime minister's term.

[Watanabe] No matter who in the LDP is prime minister, basic policies follow the decisions of the party, so if reform is slow, it will not be possible to extend his term.

[Nikkei] In what way will you respond to the consumption tax problem?

[Watanabe] We plan to settle the entire consumption tax issue at the special Diet session in the fall. We will revise what we should revise. If the opposition parties are opposed, there's nothing we can do about it. If there are such arguments as those for restricting the scope of non-taxed merchants and the summary tax system, I would like to discuss them.

[Nikkei] And developments in the political scene from next fall?

[Watanabe] During the term given him, I would like to have the prime minister throw himself into his work with sincerity and all his effort. It's fine if he stays as prime minister a long time, but the more important thing is what kind of results he achieves.

[boxed item] Thoughts Show of Preventing Prime Minister From Continuing in Office

Assuming the post of faction chairman, his words and conduct have become markedly more prudent. It is as though, deep in his heart, he is expecting something. However, with the fall of his faction to fourth [among the five major LDP factions] and his incomplete control of the faction, among the leaders eyeing the post-Kaifu scene he is still not ready to aim for the prime ministership. Even Watanabe's supporting Prime Minister Kaifu until the end of his term is due to his judgment that he needs more time to firm up his position.

After next fall, "Naturally, it's the end of his term," he repeats, indirectly checking the prime minister's continuing in office. In particular, in Watanabe's emphasizing that "even if electoral system reform is lagging he can't extend his term," there is revealed the thinking that he would like to prevent the prime minister from continuing to stay in office. Hereafter, while developing both the strategy of strengthening his faction and that of collaborating with other factions, he will be eyeing the timing of his offensive in such [opportunities] as electoral system reform.

[18 Aug 90 p 2]

[Interview with Toshio Komoto by Nikkei correspondent; place and date not given]

[Text] **Kaifu Cabinet, Advancing Humbly; A Galaxy of Able Men in the Party, Careful Watch Essential**

[Nikkei] How do you analyze the growth in the Kaifu cabinet's support ratings?

[Komoto] The situation had hit rock bottom in August of last year when the cabinet was formed. The foremost topic was whether we could survive the general election. Fortunately, the LDP held onto its stable majority and the political situation stabilized. I think his implementing in an extremely earnest way the policies he expressed in administrative policy speeches and such is being supported.

Establishing Political Idea Basic

[Nikkei] Doesn't it seem that Kaifu is soaring on his high support ratings?

[Komoto] That's not it. The prime minister isn't like that. He always moves ahead while humbly reflecting.

[Nikkei] Can you not say that the administration's base itself is not at all solid?

[Komoto] He acts in accordance with party unity, so concern for the entire party is essential. Until now things were hard, and he expended his energy to overcome them. Recently, I think that things somehow have gotten under way and have become favorable, but he has to be careful.

[Nikkei] Your thoughts concerning political reform?

[Komoto] It's half-baked to think that we will realize political reform if we change the electoral system. In the Diet resolution, "An Outline of Political Ethics," it is written that "the establishment of political ethics is the basis of parliamentary politics," but realizing that is the basis of political ethics.

[Nikkei] What do you think concerning the way electoral system reform is going?

[Komoto] Respecting the report of the Electoral System Reform Council, it is also the party's pledge, so we must enact it. But while the entire thing is on the table, it's necessary to judge it generally.

Rice Debate Too Hasty

[Nikkei] It seems that debate on the opening of the rice market will become lively hereafter, doesn't it?

[Komoto] In part, there has appeared a debate that one can say is too hasty. However, that debate is a mistake. The argument for food security was recognized even at the last summit (the Houston summit), so Japan also must attach great weight to that point. We must guard our resolve that we will not liberalize the import of rice, our main food. But it is a fact the the import of such things as processed rice is accepted. It would be good if we did a little more to watch over the debate in the General Agreement on Tariffs and Trade (GATT) negotiations.

[Nikkei] What is your outlook on the problem of establishing the next defense equipment plan?

[Komoto] It is necessary to watch carefully over the world situation that is changing moment by moment. It is important to carry through the views on concern for Japan's relations with the United States, the renewal of weapons, and improvement in the treatment of Self-Defense Forces personnel.

[Nikkei] In diplomacy, it seems that focus will be on Japanese-Soviet relations.

[Komoto] I think that aid to the Soviet Union in its present economic situation would not be effective. The International Monetary Fund (IMF) and World Bank are aiming to release their conclusions by the end of the year concerning aid for the Soviet economy, so I expect it would be all right if we offered effective cooperation after seeing the results. As for the Northern Territories, our demand has long been for the return of all four islands together, so we should not change it.

"Kaifu, Sakamoto" Getting Along Well

[Nikkei] Was the decision postponing the prime minister's trip to the Middle East sound?

[Komoto] Postponing it for approximately a month and a half was the best option. Going unprepared would be ineffective, so it would be fine if this time the trip yields great accomplishments even if it is postponed a little.

[Nikkei] A major topic of the Kaifu cabinet is the land problem, isn't it?

[Komoto] Concerning land, one can think of such remedies as tax and financial policies and the strengthening of administrative guidance. We would like to put together a tax system, a general land policy by the end of the year, so something going in some direction should appear. A policy aiming for land development on a regional dispersement model is also important. As for the issue of moving the capital, how would it be if we first decided on the move in the fall special Diet session and then started preparations?

[Nikkei] Will the Kaifu administration continue past the end of his term as party president?

[Komoto] I think the Kaifu cabinet will fulfill its mission until next fall. After that, we cannot say anything until we thoroughly debate various things. There are excellent young members in the party, a galaxy of able men.

[Nikkei] How is the combination of the prime minister and Chief Cabinet Secretary Sakamoto meshing?

[Komoto] The characters of the two men are different but, each supplementing what is lacking in the other, the two get along extraordinarily well.

[boxed item] Flatly Denying Rumors of Estrangement from Prime Minister

Saying that "the prime minister always contacts me," he flatly denies the idea of "estrangement" between him and Prime Minister Kaifu that is whispered in some parts. Whether he is reserved toward the prime minister and restrained toward the party, he has few opportunities to make pronouncements up front concerning domestic and foreign policies. But even now, when he has reached the age of 79, his mind and body show no signs of deterioration and he fully desires the role of the prime minister's guardian.

While expressing the view that the Kaifu administration will continue until the end of his term as party president next fall, he tends to be reserved when it comes to speaking of what will happen after that point. "There are excellent young people in the party, a galaxy of able men." Here, too, his concern as guardian is seen. On the other hand, recently he has quite often been saying that he "would like to raise a leader of the 21st century." At such times, rather than the prime minister's guardian, he shows the face of a party elder who makes known his thoughts on the future of the party.

[19 Aug 90 p 2]

[Interview with Noboru Takeshita by Nikkei correspondent; place and date not given]

[Text] **Not Thinking "One More Time"; Some Conclusion To Appear on Political Reform**

[Nikkei] Recently, not so much is heard of the cloistered emperor Takeshita, right?

[Takeshita] I'm not Deng Xiaoping. That such words appear is my fault, and I must work hard to erase such misconceptions. That's because those who have served in the position of the highest authorities, in order to draw a line separating them from the political distrust generated by the Recruit incident left the cabinet en masse. Rule from behind the screen [this term and "cloistered emperor" both refer to the old practice of an adult emperor entering a cloister and abdicating in favor of an immature successor but continuing to rule behind the scenes] won't do. I have to accept that that criticism is due to my lack virtue.

[Nikkei] Recently there has been talk of the cloistered emperor Kanemaru, right? Is it also the case that this is not a correct characterization of Kanemaru either?

[Takeshita] No, rule from behind the screen is something that third parties say. In Japan, aren't we getting away from the meaning of rule from behind the screen and using the term too much? So if there's no cloistered emperor Kanemaru, it doesn't mean there must be a cloistered emperor Takeshita.

[Nikkei] Conversely, does this mean that you would like to be prime minister again?

[Takeshita] That is because it is said that I have no virtue.... I clearly think that if I could clear up this suspicion by resigning my position as a member of the Diet, that would be fine.

[Nikkei] What are your thoughts on appointment as senior party adviser?

[Takeshita] Essentially, senior adviser is something one became half automatically, so I think that truly I should accept it obediently. But if the line is drawn across personnel appointments, then it would be reasonable to refuse. It's not a question of my sulkily refusing it.

[Nikkei] There has been talk that your return to the party was of a piece with Nakasone's.

[Takeshita] I don't think it's like that. At the time when Nakasone was separated from the party on his own initiative, I felt it was an overreaction to my argument for drawing the line.

General Election, Party Regulations First

[Nikkei] Did you foresee the Kaifu cabinet's high rate of support until now?

[Takeshita] It looks as though there may be a cycle in the political situation. Isn't it connected to the time of the tail wind of consumers favorably viewing the Japan-U.S. structural talks [the Structural Impediments Initiative]. Political reform, to name another example, is that way. There were some problems in my time, but wasn't it a period when I asked for sacrifice from the people? It is clear that Kaifu is giving it his all. I think that this is praiseworthy.

[Nikkei] If that happens, is the possibility that he will go beyond the election for party president next fall?

[Takeshita] Of course the potential is there, but as a party man what one must understand are party regulations. Party president election regulations are that way, so I think it won't do to ignore party regulations. I think that is extremely fundamental.

No Change in Abe-Takeshita Relationship

[Nikkei] What about Abe, whose health problem is pointed out?

[Takeshita] I wonder whether it won't be a barrier to his political activities? He was convalescing around this time last year, but he has been full of energy this year.

[Nikkei] Isn't there any change in the Abe-Takeshita relationship?

[Takeshita] We are the same age, both born in 1924. There is also our first election to office in the same year. If there are such close activities, human relationships don't change.

[Nikkei] Then you would like to see, at least once, an Abe administration?

[Takeshita] I think everyone has such feelings.

Hashimoto Natural Policy Expert

[Nikkei] It is said that there are differences between you and Kanemaru in your ideas on political strategy and ways of thinking.

[Takeshita] There are differences in method, but sometimes there are many instances where Kanemaru's thinking is more convincing. But we are not particularly at odds with one another. We are always having various talks with one another.

[Nikkei] How about Ozawa?

[Takeshita] He has his quiet side. But he has what you might call a kind of foresight and courage. I am amazed that, in the midst of a twisted Diet [with the opposition holding the upper house and the ruling party controlling the lower house], without really telling others he accomplished his goals with the opposition's sharing of responsibility. I give this my highest praise.

[Nikkei] Hashimoto?

[Takeshita] From the day he became finance minister he has never been strained in Diet interpellations. I think he is a born policy man.

[Nikkei] Your outlook on electoral system reform?

[Takeshita] There are no absolutes to the electoral system. Looking at the present schedule, understanding is increasing of a combined, joint system of single-member districts and proportional representation. I expect that sooner or later detailed study will be conducted of Diet decisions and the alternatives. Public opinion is also stirring, and I think some conclusion on political reform may emerge amidst the discussions.

[boxed item] Denying the Idea of Falling Out With Kanemaru, But....

He emphasizes that "it is not a question of having quarelled," but it is a fact that there was a state of "cold war" for a time in his relationship with former Deputy Prime Minister Kanemaru. "He is humbling himself so as not to hurt Kanemaru's feelings," according to a source close to Takeshita. The reconciliation is seen as largely complete.

But the differences in their political techniques are obvious. Moreover, Kanemaru is well known for arguing for generational change. Takeshita, on the other hand, "cannot abandon his desire for a comeback," according to a senior member of his faction. As such, a complete restoration of their relationship seems difficult. His statements denying the comeback rumors—"It would be all right even if I threw away my status as a Dietman"—are probably so-called rhetoric. According to a party leader, the view is still deep-rooted within the LDP that, "Even now the center of the political world is still Takeshita."

(honorifics omitted)

* Chairman Fuwa Looks at Future of JCP

902B0218A Tokyo SHUKAN JIJI in Japanese 4 Aug 90 pp 25-27—FOR OFFICIAL USE ONLY

[Interview with Fuwa, chairman of the JCP; interviewer not identified; place and date not given]

[Text] [SHUKAN JIJI] What is your feeling about the JCP [Japan Communist Party] convention?

Fuwa: Socialism itself is being questioned now. I feel that we have clearly decided on a position and policy, but setting the policy alone will not do. We must put it into practice. This is a big job.

[SHUKAN JIJI] Considering what happened in the convention, in which direction will you lead people?

Fuwa: That is the point that the press does not take up (laughter). The conventional world order has collapsed, and new ideas have emerged. Japan clearly cannot succeed within the conventional political framework of the LDP [Liberal Democratic Party]. The JCP convention focused on how to break up the situation and what Japan and the world should aim toward. The interest of the press in the convention seems to have been spotlighted on the JCP's attitude on foreign issues (laughter). We hope to draw wide attention to the military alliance with the United States and the high handed polices of major companies which are also criticized in the international arena.

[SHUKAN JIJI] I heard that you will write articles for weekly men's magazines and appear on TV quiz programs.

Fuwa: I heard that the TV station was hesitant to ask me to appear because the program involves an element of gambling. But, after taping the show, they praised me for having a talent for gambling.

[SHUKAN JIJI] The JCP has not been very successful in recent elections.

Fuwa: It hurts us that we lost in two consecutive elections. Until the Tiananmen Square incident, newspapers were reporting that the JCP might win an increased share of the electorate. The incident was bad news for the Communist Party. At the time of the election for the House of Representatives, drastic changes were occurring in Eastern Europe. There was a world chorus singing that socialism was no longer viable. Our losses occurred in these circumstances. We lost about 1 million votes at the time of the election for the House of Councillors. We lost only about 200,000 votes at the time of election for the House of Representatives although we faced disadvantageous situations which were beyond our control. Some foreigners even congratulated us for having done a good job. Failures abroad should not have affected our activities. We have regained readers for AKAHATA that we lost due to the Tiananmen Square and East European incidents.

[SHUKAN JIJI] What is your opinion of the changes in East Europe?

Fuwa: The Soviet Union had forced principles of Stalinism on East Europe. These were based on the principles of dominance of major powers and hegemony. The changes are the result of the collapse of these principles. The changes are complex. I think that the positive effect is that the intrinsic democratic principle of self-determination is being put into practice.

[SHUKAN JIJI] The Soviet Union is now in difficult times with perestroyka.

Fuwa: I think that all the things such as changing undemocratic practices, reduction of military forces, etc., are welcome. But, Gorbachev has not changed the hegemonism, the worst evil the Soviet Union has brought into the world. They say that there are many factions in the Soviet Union, but as far as the hegemonism is concerned, their attitudes are all the same. I consider that this is a limitation of perestroyka.

[SHUKAN JIJI] What you said makes sense.

Fuwa: Another limitation is that the Soviet Union tries to solve world issues through discussions between the United States and the Soviet Union. They are acting against movements of other people of the world. It is a manifestation of egoism of a major power. I appreciate the concrete progress made by perestroyka, but I think that there will be a problem with this most important issue.

[SHUKAN JIJI] By the way, the rate of approval for the Kaifu cabinet is very high.

Fuwa: It is a very interesting phenomenon. The conflict between policy and national opinion has not been resolved. The future of the consumer tax is unclear, and so are issues of rice and political reform. Two issues in which people were most interested in the election have not been settled. I think that one of the reasons for Kaifu's popularity is that people feel that he will not do any harm soon because he is procrastinating about tackling the issues. Besides unsolved major conflicts, there are problems associated with the SII. It would be a mistake if the LDP feels safe because the approval rate is high.

[SHUKAN JIJI] Some members of the LDP and the Komeito are strongly advocating partial liberalization of rice imports.

Fuwa: Our party is against this. I believe that being self-sufficient in food is a basic requirement for our economic security. Most major countries are self-sufficient as far as major portions of their food supply is concerned. Among the countries with a population of over 20 million, only Japan has less than a 50 percent rate of self-sufficiency. Great Britain and West Germany had lower rates, but they improved the ratios to a much higher level than Japan through agricultural policies. With the promulgation of the Fundamentals of Agriculture Act, the Japanese Government said it was boosting farmers, etc., but nothing worked.

[SHUKAN JIJI] Then, what is going to happen?

Fuwa: We foresee the following will happen: the Japanese Government will act as if it is vehemently against rice imports, but will eventually create an atmosphere where rice imports will have to be liberalized. In the Diet, it says that it will take action on the basic policy of a self-sufficiency of food. But, it does not say that it will not import rice at all. The government has the option of changing policy. Judging from what it says, we feel that it is being evasive.

[SHUKAN JIJI] Lastly let me hear what you feel is the relation with the JSP [Japan Socialist Party].

Fuwa: It is up to the JSP. Last year, the JSP and JCP cooperated at every place where the JSP won the election. In other words, it defeated the LDP by not mentioning that it would exclude the JCP in a coalition. But, it continues to stick to the principle of excluding the JCP in a coalition. When the Komeito and the DSP [Democratic Socialist Party] declared an end to discussions about political power, the JSP did not even try to study the matter. Besides, when the LDP made a proposal, those parties viewed it favorably. This is the biggest contradiction of current politics. I firmly believe that political power will finally move to what is consistent with the interest of people.

Economic Affairs

Column Views Intervention in Stock Exchange

OW0910195790 Tokyo ASAHI EVENING NEWS in English 8 Oct 90 p 4—FOR OFFICIAL USE ONLY

["Weekly Economic Review" column by George Murakami: "Bank of Japan, Finance Ministry Intervene in Stock Market"]

[Text] The Tokyo stock market had a wild time last week. On Monday, it crashed on the Nikkei average below Y [Japanese yen] 20,000, hitting a three-year record low, then rebounded sharply Tuesday to gain more than Y2,000 for the largest single-day rise on record. For the rest of the week, it managed to hold most of its gains.

The market opened on a note of gloom on Monday. The Persian Gulf crisis had brought a steady fall the previous week, and the price of oil was up again. New York, London, Frankfurt and Tokyo had dropped steadily. At the close of trading Monday, the market had lost about 45 percent of its total share value since the peak of late last year, the biggest fall ever.

By Tuesday, word came that the Bank of Japan [BOJ] and the Finance Ministry were intervening to prop up the market. Trading regulations were to be eased and the BOJ would engage in open-market operations to buy government bonds and pump more cash into the securities markets. Other measures would be taken when and if necessary. Also oil prices had leveled off, and so had the rise in interest rates. Iraq President Saddam Husayn in his daily press statements sounded less belligerent than usual.

For the authorities to intervene in the stock market is not unusual, at least not in Japan. The last such occasions were in 1964 and 1965 during the longest and most severe recession Japan had experienced since the war. The stock market had fallen about as much as now, and authorities feared its collapse could set off a financial panic. Using the Industrial Bank of Japan as its instrument for intervention, the BOJ supplied special funds to Yamaichi Securities and several other securities houses to save them from bankruptcy. Japan Joint Securities was set up and financed to buy shares and prop up prices in the market. And Japan Joint Holding took shares off the hands of the stock investment trusts, easing selling pressure. Officials of the Industrial Bank were sent into the securities trade, and the old promoter salesmen breed were replaced by more conservative banker types. The economy soon recovered and so did the market. The authorities wound up with handsome profits from their intervention operations.

Matters are a bit different now. The economy is still robust and strong. The trade balance is in surplus, earlier it was heavily in deficit. The BOJ clamped down severely on credit in 1964 and 1965 to check inflation and the trade deficit. While credit is being tightened now, there is no need for drastic measures here. And there is no danger of financial panic today.

How far the authorities will go in their intervention remains to be seen. If a war breaks out in the Gulf and oil prices skyrocket, they may have no choice but to intervene more forcefully. The market, it seems to me, has not much going for it. The impasse in the Gulf, high oil prices, the rise in interest rates seem likely to continue, and all are bad.

In fact, worry is starting to grow over world economy as a whole next year. Germany, the economic powerhouse of Europe, will have trouble with costs of reunification, inflation and unemployment. The Soviet Union is expected to experience minus growth of 7 or 8 percent. The United States appears to be headed for at least a mild recession, which the costs of the Gulf military intervention will aggravate. Inflationary pressures are growing and this means higher interest rates, which will slow growth.

Japan, however, may do fairly well in 1991, relatively speaking. In the view of many economists, the growth rate, now about 4.5 percent, could slow to 3 or 2.5 percent. Domestic demand, consumer spending and capital outlays by business will continue strong and largely offset any drop in exports. The chief problems are the intensifying shortage of labor, the rise in oil prices and the threat of inflation.

The government is now concerned not with the operating state of the economy, but with basic problems like taxes, the land prices, the labor shortage and the immediate matter of freeing rice imports. On this last, Japan must make a reply in the current Uruguay Round of talks on farm trade, but has yet to work out anything new that's acceptable to other countries. A proposal for a 30 percent reduction in farm subsidies over the next five years has been rejected by the United States as far too mild. The new extraordinary [Diet] session is likely to be devoted to debate of Prime Minister Toshiki Kaifu's plan to send noncombat Self-Defense Forces personnel to the Persian Gulf, and will do little about pending economic legislation.

Politics is again becoming of critical importance. The control of the Upper House by the opposition parties is fragile at best. Three members of the small Tax Party have joined the ruling Liberal-Democratic Party. A by-election for an Upper House seat is coming up soon and if the LDP wins this one, and the Democratic Socialists cooperate, the LDP will once again command a majority in Upper House and end the present paralysis in legislation. Also, Kaifu is showing up well in recent opinion polls and the Socialists are losing ground.

New Strategies Adopted, U.S. Know-How Sought

902A0286A Tokyo NIKKEI KINYU SHIMBUN in Japanese 1 Aug 90 p 1—FOR OFFICIAL USE ONLY

[Article by Kimura, New York correspondent of NIKKEI KINYU]

[Text] **Strengthening Derivative Products Is the Key; Changed Sources of Profits; Strengthening Organizations by Addition of New Staff**

Major Japanese stock brokerage firms that began to rationalize their management following the stock market's 1987 slump have adopted new strategies in the United States. Every brokerage has identified derivative products and secured loan products as the focal point of their strategy. Nomura and Daiwa have begun to develop new systems along the lines of this strategy by hiring American specialists who bring state-of-the-art financial knowledge about procedures or personnel networks, while Nikko Securities has opted for a joint venture. Their goal is business expansion in Japan based on know-how acquired in the United States.

Emphasis on High Risk Areas

Chairman Takanashi of U.S. Nomura Securities, who stands at the vanguard of the new strategy, has emphasized the following: "Little profit can be attained in the U.S. market through the sale or purchase of stocks and bonds, as was the case in earlier times. In the 1990's we are in a hurry to build an integrated base for producing added value by targeting the market segment in which profits can still be made."

According to SIA (the U.S. Securities Industry Association), the before-tax rate of profit against the net worth of U.S. securities firms declined from 1980's 49 percent to a mere 7 percent in 1989. Due to the deregulation of the industry, brokerage firms that deal with securities have no longer been able to secure stable profits; income from risky business that includes investment banking, speculative buying and selling of stocks by the firms themselves together with buyouts has reached two-thirds of total profits.

In view of these changes in the profit-driving structure of U.S. securities firms, U.S. Nomura Securities has concluded that what makes securities firms viable now in the market is the seizing of added value through credit analysis in the course of investment banking and the business of sale/purchase. To make a profit in the 1990's, credit and risk analyses are crucial in calculations associated with capital evaluation or purchase/sales during capital reorganization of businesses, areas that are regarded as the new source for profits in a Wall Street that has largely abandoned its former role as intermediary in purchases. Judged to constitute additional sources for profits are derivative and securitized loan products that require relevant know-how.

Sales of U.S. stocks to U.S. investors, that were emphasized until the market slump of 1987, have been dropped; transactions with major U.S. corporations also appear to have been deemphasized.

Aiming at Know-How and Personnel Networking

First of all, U.S. Nomura has "begun the operation of adding value to existing activities that have handled 'raw materials,' e.g. stocks and bonds. Unless the raw materials are modified, profits can't be made in the U.S. market," (Mr. Takanashi). The source of profit generation has shifted to the management of novel financial products. Since this is an area that cannot be handled by Japanese employees dispatched from Japan, U.S. Nomura has begun to hire talent that has been active in the frontlines of U.S. securities firms.

For its department dealing with derivative products, Nomura has hired five individuals to take charge of stocks and bonds. Mr. Joseph Schmachler [not identified], one of the five, has stated the following: "We plan to promptly set up an organizational framework and proceed to carry out transactions that link up with the vast and powerful customer base that Nomura has available to it." In the area of equity financing, a CMO (Collateralized Mortgage Obligations; mortgage loan securities with reduced uncertainty of prepayment) team has been formed with 40 Americans on it. Sales of CMO's have already reached the level of over $1 billion. Objects of equity financing have been further expanded into the realm of commercial real estate and LBO (leveraged buy out) loans. Future plans are in progress to handle securities that collateralize loans for automobile purchases or credit cards.

Success in the recruitment of executives with experience at major U.S. securities firms with the objective of expanding into the area of new forms of equity financing is directly attributable to the presence of Mr. Chapman, former president of Kidder Peabody, who together with Mr. Takanashi, has assumed the post of chairman of U.S. Nomura, a company that has adopted a system of dual chairmanship. The fact that Mr. Chapman, rather than a Japanese dispatched from Japan and rotated periodically, holds the top job as chairman, has given U.S. Nomura's American staff ease of action as well as peace of mind. His presence has been effective in recruitment on Wall Street where the personnel network is an all important factor. Since, however, investment banking is not Mr. Chapman's forte, Nomura has been able to secure only one person in the area of business based on credit analysis.

While falling behind Nomura Securities in action, U.S. Daiwa has focused on hiring personnel to play central roles in new areas expected to serve as a gate for breakthroughs into the U.S. market, where Nomura has been slow to enter. One of these areas is the capital market department; another area is M&A (Mergers and Acquisitions) where adjustments are required with an affiliate, Wasserstein, Perella & Co.

While the capital market department is touted as "the strategic department in charge of development and sales of equity financing, derivative products, and financial set-ups" (Chairman Yoneyama), efforts to build an organization have yet to begin in a serious way. In addition, formation of a joint venture to market real estate-backed securities with Goldman Sachs has been experiencing hard going.

U.S. Nikko Securities will set out to develop and sell securitized products in cooperation with a mortgage company, a subsidiary of the Blackstone Group, in which Nikko has invested $100 million with the purpose of strengthening an intermediary relationship for M&A. For derivative products, Nikko expects help from Wells Fargo in which Nikko has invested $125 million in order to gain know-how in trading: "We will adopt a strategy that makes use of this cooperative relationship. Capable employees will be sent to these two companies to master the know-how," (Chairman Suzuki). While Nikko's aims are the same as Nomura's and Daiwa's, Nikko takes a different tack. U.S. Yamaichi Securities will also follow the others' example by "speedily creating departments that specialize in equity financing and derivative products," (Chairman Sugiyama).

Personnel Expenses May Squeeze Profits

Front runner Nomura also faces problems. When the Japanese staff has absorbed the know-how brought in by American recruits, there is a possibility that high-salaried Americans may no longer be needed. For this reason, American recruits work as hard in the departments they lead as they did when employed by major U.S. security firms, but they do not transfer their knowledge to other departments.

While it may be true that "their financial technology might become more specialized in the environment of Nomura's strong business infrastructure" (Mr. Takanashi), protective measures such as rewarding the Americans' "intellectual property rights" will become necessary. U.S. Nomura's ratio of personnel expenses to total expenditures is already at 50 percent, approaching that of major U.S. securities firms. Further increases in personnel expenses may come to put pressure on profits. New measures in the areas of profit distribution or personnel management are likely to be required.

* Changes Seen in Business Practices

902A0281A Tokyo NIHON KEIZAI SHIMBUN in Japanese 9-11, 14-15 Aug 90—FOR OFFICIAL USE ONLY

[9 Aug 90 p 7]

[Article by Nikkei reporter Tamaki: "SII Talks Offer Timely Opportunity; Wholesalers Demand Improvement by Superstores as Excuse To Cut *Keiretsu* Ties"]

[Text] With the Japan-U.S. SII [Strategic Impediments Initiative] talks as a backdrop, the foundation of such Japanese business practices as rebates, goods return, *keiretsu* [chain of affiliated companies] and *dango* [consultation, collusion] is shaking. "Requested" (by the manufacturers) retail pricing is disappearing, and businesses that bypass the wholesalers are increasing. Meanwhile, a conspicuous number of shrewd businesses are cleverly using foreign pressure to turn such trading conditions as rebates to their advantage. How are business practices changing today? What follows is a probe into the trend of on-site business practices.

Toward a Global Blanket Procurement System

The site is the environs of Atsugi City in Kanagawa Prefecture, where numerous parts manufacturing companies affiliated with the Nissan Motor Company are concentrated. Atsugi Seiki [precision instruments] in the town of Aikawa at the foot of Mount Tanzawa is one of the affiliated companies. It has produced auto cable parts for Nissan since 1960. However, next February, it will convert to a food distribution center.

"Despite profits of less than one percent, we have recently been receiving successive demands from the manufacturers to lower our prices. Without the capability to invest or to hire people, we have lost hope for the future." President Saburo Goto remarks with chagrin amid the changes of rebuilding.

Whenever turbid *keiretsu* transactions by Japanese companies become an issue, it is the auto industry that almost invariably is made the scapegoat. However, with progress in globalization and technological reform as the backdrop, the automakers are conducting a reexamination of the current parts procurement process from a global standpoint.

For example, Nissan is conducting talks with Robert Bosch GmbH, a major West German manufacturer, concerning global blanket procurement of such functional components as engine control units.

A Nissan executive states emphatically: "When we consider the fierce competition, we will no longer be able to close our eyes to costs and purchase parts from *keiretsu* manufacturers."

For the auto industry, criticism of "*keiretsu*" by the United States signals a "favorable wind" of opportunity, rather than a "head wind" of obstacles. The reason is that it can be used as an excuse to cut ties to the weak and small parts makers by pointing out: "In view of the criticism leveled against the *keiretsu*...." (a major auto company executive).

Simplifying Rebates

A similar trend is seen in transactions between manufacturers and wholesalers/retailers. The Japan Confectioners Association and the National Federation of Confectionery Wholesaler Associations—organizations of confectionery makers—sent a jointly signed document to the Japan Chain Store Association in late July, which included such demands as a reduction of frequent-and-small lot shipments, self-control over labor offers during price tagging and inventory-taking, and a reexamination of the goods return system.

Amid rising personnel costs due to the labor shortage, manufacturers and wholesalers have been wracking their brains on how to turn around disadvantageous trading conditions with the superstores. At this point, a demand for "improvement of the murky and closed business practices" was presented by the U.S. side at the Japan-U.S. SII talks. This gave (the two organizations) "an ideal opportunity" (a major food wholesaler president) for the decision to submit the document listing their demands.

In July, an "integrated business dept" was established within the Ajinomoto Company. It is a new department placed directly under the head office to handle all business negotiations with such major superstores as the Daiei and the Ito-Yokado Company, which were previously handled in principle by the branch offices. Although the company is the top integrated food product manufacturer, it was unable to fend off demands by the superstores for price cuts and delivery services at the branch office level. The company stresses establishing business dealings on an equal footing, explaining that, "if there are problems in the future, there will be instances where they will be settled at the top managerial level."

Regarding home electrical appliances also, there is a growing trend to cut back the number of "helpers" sent to the superstores, and to simplify the rebate system.

"Rebates were provided on an ambiguous basis of past relationships and to achieve business quotas. However, with distribution costs rising, on the one hand, Japan's home electrical appliance distribution is receiving criticism from overseas as being irrational. We had to do something about it sooner or later." Full-time consultant Fumio Ota of Toshiba Corporation explains the manufacturer's position.

In the spring of last year, Toshiba unified its "rebates for operations expansion" in more than 10 categories, classified according to product, season and region, and the amount of transaction. It has reduced the rebates that exceeded several tens of billion yen annually. Matsushita Electric Industrial Company, a top manufacturer, is also speeding up a reappraisal of its "*keiretsu*" store policy.

Regarding this "offensive" by the manufacturers, a superstore president in Akihabara (Tokyo) calmly states: "When recession comes, they will return with a promise of the usual special rebates if we sell (their products)." There are also cynical remarks by the superstores that "it is rather the manufacturers that have benefited from the special sales."

"Consumer First" Policy Questioned

The wiliness of Japanese businesses in backhanding outside pressure is manifested in their moves surrounding the Japan-U.S. SII talks. However, it could possibly end in a scramble for profits among the companies and temporary makeshift measures. The question is, how far can they implement the reexamination of their business practices with the inherent goal of "forming new rules for the benefit of the consumers"?

[10 Aug 90 p 7]

[Article by Nikkei reporter Sakaida: "Disappearing 'Set Prices'; Growing Price War; Residual Mutual Help Ignores Consumers"]

[Text] A hot price war over domestic liquor is going on in the Yokohama suburbs between "Tsukasa Liquor" in Asahi Ward and "My-Mart Liquor Green Garden" in Izumi Ward. The two discount stores are waging a cut-throat price war over beer and whiskey.

Power of the Hot Line

In early August, a 24-can case of 500-milliliter canned beer cost ¥ 5,900 including tax at Tsukusa, and ¥ 5,725 without tax at My-Mart. They were both nearly 14 percent under the manufacturer's requested retail price. Suntory Old whiskey was priced between ¥ 1,845 and ¥ 1,906, or a discount of nearly 20 percent.

Liquor bargain sales usually applied to parallel-imported foreign brands. Discounted sales of domestic liquor were virtually nonexistent under the strict surveillance of the manufacturers. However, during the past several years, discount stores centering in the Tohoku and Kanto regions have risen sharply, increasing nationally to about 200 stores or more than two-fold in three years.

Both stores decided to lower prices late last year, and have reached the point today of declaring that "our domstic liquor is the cheapest in Japan" (President Shinmon Otsuka of My-Mart in Daimon). What brought about the expanding discount sales?

"It is probably the power of the hot line," says President Yukio Higuchi of Kawachiya Liquor Sales (Tokyo) who operates a discount store selling similar brands of liquor.

By the hot line, he means a direct phone line to the (Japan) Fair Trade Commission [FTC] that was registered for exclusive use by President Higuchi. He was told by the FTC to "get in touch with us regarding any tangible and intangible pressures from the manufacturers," and was given the FTC phone number.

"Utilizing" Consumer Psychology

Actually, the following incident took place. When the product of a Japanese rice winemaker was sold at a discount, the wholesaler stopped supplying the wine the next day. The reason was that "there was a stop-delivery order from the winemaker." President Higuchi immediately notified the FTC. The following day, an executive from the winemaker company came and apologized deeply, begging him to "please keep this matter confidential." The supply was resumed the next. It is reported that the FTC conducted a hearing, stating that "there is possibility of a joint boycott."

Set-price sales (the manufacturer's requested retail prices) are being dismantled, spreading from home electrical appliances and cameras to food products. Forming the backdrop are such circumstances as a decision to strengthen the antimonopoly act with the Japan-U.S. SII talks as a pivotal point, and new efforts by the FTC—which had been dubbed the "weak government agency"—to guard against antimonopoly act violations with unprecedented severity.

This will undoubtedly promote price competition in tandem with the easing of controls under the Large-Scale Retail Store Law. However, the disappearance of set-price sales will not necessarily result totally in lower prices. It could also invite higher prices. A typical example can be found regarding potato chips and chewing gum, which have been sold at sharply higher prices since last spring.

It was the confectionery wholesalers that wrote this scenario. In order to absorb the sharp increases in personnel and distribution costs, the National Federation of Confectionery Wholesalers (Rokuro Shimada, chairman)—a national organization of confectionery wholesalers—demanded higher margins at the beginning of this year by raising the manufacturer's requested retail prices. At that time, the federation advocated a "no-print price" formula, whereby the printing of retail prices on product cartons and packs were omitted.

If the prices are displayed, the consumers will note the amount of discount and decide whether to buy on that basis. Consequently, the retailer resists raising prices. However, it is easy to raise prices when the prices are not displayed. The strategy of reading the consumer mind is currently succeeding, and the managers of wholesalers and manufacturing companies state with smiles that "it is a 100-percent success."

Probe Into Collaborative Disposition

In other words, in this case, the set prices (manufacturer's requested retail prices) have not really disappeared. They are actually being preserved, invisible to the consumers.

Behind the "hidden set prices" is a structure of deep-rooted collusion among the manufacturers, wholesalers and retailers. This mechanism is found in other industries also to a greater or lesser degree.

Professor Ryuichiro Tate, professor emeritus of Tokyo University who drafted a guideline to strengthen the aforementioned antimonopoly act, points out: "In order to open up the business practices, the collaborative disposition that ignores the customers must be probed into."

[11 Aug 90 p 4]

[Article by Nikkei reporter Iguchi: "Shaking Corporate Groups; Centrifugal Force Stressed; Also Adherence to Name"]

[Text] "If it will help solve misunderstanding on the U.S. side." At the Mitsubishi Friday Society [Kinyokai] secretariat on the 15th floor of the Mitsubishi Building in Marunouchi Ward, Tokyo, with the minutes of the conference of chairmen and presidents of 29 companies of the Mitsubishi Group—which were discussed at the Japan-U.S. SII talks—in his hands, chief secretary Motoyoshi Shiroishi began to talk about the proceedings at the conference.

Major Items Also Reported Ex Post Facto

For example, on the 13th, the second Friday of July, about 40 people gathered in the Friday Society meeting room on the same floor, and the monthly meeting began, steered by the chief secretary. The report of business—including a donation to the Japan-Franco Institute, the inauguration of a preparatory committee for the establishment of the Mitsubishi Records Building, the introduction of four new companies that will use the Mitsubishi name, and participation as a group in the Nagasaki Expo—took only 15 minutes. After a lecture lasting about an hour by Chairman Hajime Kitamura of the Toyo Bunko [Far East Library] on the theme "Research in Japan on Tibet and the Toyo Bunko," the meeting was adjourned.

Of course, actual business activities are not completely excluded from the agenda. When there were major items such as the purchase of the Rockefeller Center by Mitsubishi Estate Company, or a joint venture with Benz of West Germany, the company presidents concerned gave brief explanations. However, in both cases, they were ex post facto reports that followed formal announcements. Chief secretary Shiroishi declares: "So far, there is no move by the FTC concerning a hearing, but if we are asked, we naturally intend to fully explain the proceedings of our meetings."

"Although we are a group, each company evolves its own business based on its own economic rationality. Otherwise, it would be difficult to survive in this age of international competition." Regarding the closed nature of the corporate group that is pointed out by the United States, Chairman Yohei Mimura of Mitsubishi Corporation, who serves as the Friday Society representative, denies it emphatically. He says that, regarding actual dealings, the member companies of the Friday Society are shifting from an era in which they prided themselves on their "centripetal power" to an era in which they stress their "centrifugal power" that transcends the group framework.

Closing Ranks in the Beer Sales War

The Nissho-Iwai Corporation announced this month that it has secured cooperation from the Mitsubishi Motors Corporation, and will begin assembly production of passenger cars and small trucks in Venezuela. Mitsubishi Corporation, banking on the group's strength in the Venezuelan market, competed by approaching Mitsubishi Motors, but Nissho-Iwai eventually won because of the plan's business nature. Such cases are no longer rare today.

The share of the Friday Society companies in Mitsubishi Corporation's business volume dropped from 21.2 percent in FY86 to 17.2 percent in FY89. Not a few parties concerned believe that "recent moves initiated by Mitsubishi Corporation, such as the Mitsubishi-Benz partnership and the buyout of Aristech Chemicals of the United States, are indications of the company's sense of crisis concerning the group's situation with its declining centripetal power."

However, if it is judged that "the corporate group is now a mere salon-type association," it would be a misjudgment of the circumstances. The reason is that, once it becomes a matter of support and defense of group business, there is no difference in the fact that the normally hidden unifying power comes to the surface.

"The group of Company A has launched an all-out offensive against the restaurants in the Shinjuku and Kabukicho districts."

"This time, the group of Company B came to the Ginza."

Such reports were received almost daily by the business manager of a certain beer company since the summer sales began. The strategy is to provide a list of client restaurants of a rival beer company to one's own group affiliates, and to encourage them to convert the restaurants to one's own brand through a concentrated offensive of entertainment and parties. Particularly this year, the Mitsubishi-affiliated Kirin Beer and the Sumitomo-affiliated Asahi Beer, which are staking their company futures on shares competition, are mobilizing their respective group corporate strategies.

Because Mideast capital reached out for stocks of the Mitsubishi Oil Company owned by U.S. oil capital, the Friday Society member companies jointly bought the stocks in 1984. "The group will probably continue to close ranks for the maintenance and defense of Mitsubishi brands and credibility" (Chairman Mimura). Such group awareness, wherein business hardboiledness and attachment to the Mitsubishi name coexist, is undeniably irritating to the United States.

Impact on Stock Linkage Also

Based on the final report of the Japan-U.S. SII talks, the FTC has decided to periodically investigate the trade relationships and personal linkages of the corporate group, centering on the general trading company. "The

FTC may also focus on stronger control of stocks held by major corporations as its ultimate target" (survey department of a major general trading company). Stronger control will inevitably impact on interlinked stock ownership that serves as a bonding agent for the group. Behind the surface calm, caution is growing among those affiliated with the general trading companies.

[14 Aug 90 p 4]

[Article by Nikkei reporter Konomu Hirata: "FTC Versus the Cartel; Revival of Criminal Prosecution; Administrative Guidance Supports 'Line Formation'"]

[Text] "This is embarassing." On 8 June, immediately after being subjected to an all-out investigation by the FTC [Fair Trade Commission], based on suspicion of having formed a nationwide cartel on prices, sales and volume, an executive of a cement manufacturing company muttered gloomily. The FTC confiscated numerous documents from the head offices of various major cement makers and the Cement Association (chairman: President Kazusuke Imamura of the Onoda Cement Company). In some locations, the strict search lasted as long as eight hours.

Inspection Department Increased by 25 Members

The results of the recent on-site investigations are expected to be concluded early next year. There is a strong possibility that a judgment of guilt will be handed down with a recommendation for retraction, but that is not all. There is a growing view within the industry that "we may possibly become a target for criminal prosecution by the FTC—a step that has not been taken for more than 15 years since the secret oil cartel of 1974."

The investigation was carried out on the day when the FTC increased its inspection department personnel by 25 members in order to beef up its prosecution of antimonopoly violations following the final report of the Japan-U.S. SII talks. Many quarters see in this an extraordinary posture taken by the FTC.

In making the charges, the FTC purports to consider both the social impact and whether there were recurring violations in the past. If the cement industry, which has been prone to endless secret cartels everywhere, is found to have instituted a nationwide cartel, it is highly possible that it will become "the number one target for a resumption of prosecution."

It is undeniable that "the industry is getting nervous" (Ministry of International Trade and Industry [MITI]) regarding recent FTC moves to revive criminal prosecution and to probe into the collaborating disposition of Japanese companies. However, it is not easy to change practices that have been embodied in the operational activities of the companies and have continued to function for many years.

The construction industry is an example. The "Management Discussion Society" [Keiei Konwakai] and the "Wednesday Society" [Suiyokai]—social organizations for executives of the major construction companies—that were strongly criticized as the hotbeds of collusion on bids have respectively decided on dissolution. However, very few see this as a signal that the "collaborative disposition" of the industry will be corrected.

Apart from such social organizations as the *Keiei Konwakai*, there are reportedly various forms of "collusive organizations" like the Kaidokyo [Ocean Reclamation Earth and Sand Construction Association] that was indicted last year regarding a secret cartel involved in earth and sand transport and construction for the New Kansai International Airport. It is also pointed out that, as long as the designated competitive bid system that limits the bidders for public work projects beforehand is not improved, the industry's practices will not easily change" (an executive of a leading construction company).

The President Exchanges Information

The circumstances in the cement industry are similar. On the night of the entry investigation by the FTC, the president of Company A who just returned from a business trip to Taiwan was notified about the investigation by his secretary at the airport. He immediately made a phone call from his car to the home of the president of Company B, and exchanged information. It indicates the close relations within the industry.

Regarding the collaborative disposition of Japanese companies, Professor Akira Shoda of Sophia University stresses the responsibility of the administration, saying: "Administrative guidance and notification—implemented by such industry-supporting agencies as MITI and the Ministry of Construction under the pretext of rationalization and antirecession—often result in encouraging the formation of cartels."

Industry's Stability-Oriented Disposition

There is a strong aspect of "managed pricing" by MITI guidance concerning recent steel materials prices. In particular, there is a continuing shortage of such construction steel materials as rod steel, and although there is ample room for price hikes, no manufacturer is making a move to raise prices. Guidance by MITI suggesting that "nonstop rises in steel prices are not desirable for the economy as a whole" is having an impact.

There is a rigid practice among Japan's industry that is more oriented toward stability than competition. Both price collapses and skyrocketing prices are shunned. Consequently, the distribution mechanism is fixed, and efforts are directed toward information exchange within the industry. This trend is particularly strong in the raw materials industry, which is generally homogeneous in terms of quality, and differentials are limited to prices. It is encouraged by the government through administrative guidance. The example of steel prices is only a portion of such Japanese business practices.

The FTC recommendations to remove cartels has reached six cases this fiscal year, including electrical/piping construction and yellow copper rod fabrication/sales, already equaling the number of recommendations for the entire previous year. The FTC is adopting an unusually strict posture, warning: "We will issue recommendations again and again. For example, although they may be based on administrative guidance, if a cartel is in place, we will absolutely remove it" (Chairman Umezawa).

Nonetheless, how much can the line-forming disposition of Japan's industry be changed to a competitive orientation, even with administrative guidance? It seem necessary to watch the FTC's actions, including the direction of criminal prosection.

[15 Aug 90 p 4]

[Article by Nikkei reporter Hisashi Miyamoto: "Foreign-Capital Companies Are Adapting; Acceptance by Building Trust Relations; Saying No to Cloudy Rules"]

[Text] In May, President Gerry H. Godwin of Champion Spark Plugs, the world's largest auto spark plug manufacturer, visited the head office of Honda Motor Corporation in Aoyama, Tokyo, and told the executive in charge of sales: "We would like to cooperate beginning at the design stage for new cars, like Japan's parts makers, in order to build long-term business relations."

Participation From the Development Stage

Honda Motor Corporation, which produces the same cars in Japan and the United States, accepted Champion's request, replying: "If you participate from the development stage, we can unify sales in both countries, and production efficiency will improve" (executive director Toshio Shishido). Joint development of plugs for 1992-model passenger cars will start soon.

When foreign-capital companies and foreign governments complain about "the closed Japan market," they often point to the complicated distribution system and human relations that are stressed over rationality.

On the other hand, the Japanese side considers as problems the lack of effort by foreign companies, their failure to produce goods that meet Japanese needs, and their posture of exporting their products without change.

However, apart from the recurring debates is a growing effort by some foreign companies to adapt to Japan's business practices. The Champion Spark Plug case is a typical example.

This also applies to the Ssangyong-Japan Company (main office: Tokyo), a South Korean general trading company. The company initially came up against a wall concerning export of steel materials and cement to Japan. It won an agreement on quality and prices, but still was unable to sign a contract. President Yon Chang-tae realized the existence of a strong bond between manufacturers, distributors and clients, and endeavored to "sell ourselves before we sold our products."

Once he built up a relationship of trust and was accepted as one of them, "business moved forward smoothly."

President's Lack of Action Produces Stalemate

A relationship of trust cannot be built overnight. According to A. T. (Carney) International (Tokyo), a consulting firm, the difference in the trust relations of two foreign-capital companies dealing in pharmaceuticals, for which it provided management consulting, showed graphically in their sales records. The foreign president of Company A with a superior record meticulously paid visits to its sales agents and clients. Meanwhile, the foreign president of Company B with a somewhat stagnant record refused to budge, declaring that it was beneath a top manager to do so. "The Japanese staff members of Company B complained, saying that they wished their president would visit the clients more often" (vice president Yutaka Kobayashi of A.T. (Carney) International).

"Our company is more Japanese than the Japanese companies." As Director Bin Niiyama of Shell Chemical Company's chemical products department explains, foreign-capital companies that are successful in Japan—such as Japan-IBM and Japan-Coca Cola—are expanding their sales by "doing in Rome as the Romans do" to a greater or lesser degree.

Given Japan's growth into a mammoth market based on its expansion of domestic demand, the number of foreign companies that "adapt" continues to grow. In 1980, newly established foreign-capital companies numbered 292, but are now approaching the 800 figure.

However, foreign-capital companies have not necessarily stopped criticizing the "closed" Japan market. "By studying the business practices and spending time, it is possible to enter the Japan market. It is not unfair only to foreign companies." So says President Alain Coine of Rhone Poulain-Japan, a French petrochemical company, who declares: Japan is undoubtedly the world's most closed market."

Therefore, there are recent moves to change Japan's business practices.

In Sepember 1989, Assist (Kawasaki City), a computer software company, announced sales of software at a low price of ¥9,700 each, and introduced a wholesale price system whereby the larger the volume, the higher the discount rate becomes. In the case of a maximum 80-percent discount, rebates and goods return are not permitted. President Bill Totten remarks with satisfaction: "At the beginning, some wholesalers complained, but total sales of ¥200,000 by June justifies the system."

President Totten recently published a bestseller entitled "Japan Is Not Bad," [as published] in which he writes that "there are many rational aspects about Japan's business practices." Having improved his system on that basis, his argument is persuasive.

Internationalization From Within

Proctor & Gamble Far East (Osaka) also abolished the rebate and goods return system in 1988. It clarified trade standards between wholesalers, which had been unclear and unstable, and persuaded the wholesalers to switch their operational awareness from the sales principle to the profit principle.

William J. Best, chairman of the U.S. Chamber of Commerce (Japan) distribution committee says: "Clear rules are also indispensable in order to avoid managed trade. An open market benefits both Japan's consumers and its companies." According to foreign-capital companies that have adjusted to Japanese business practices, "internationalization from the inside" is perhaps making quiet progress.

* Changes in Character of Public Works Expected

902B0272A Tokyo NIHON KEIZAI SHIMBUN in Japanese 2, 4, 5, 7 Aug 90—FOR OFFICIAL USE ONLY

[2 Aug 90 p 4]

[Text] **A Thick Wall Obstructs Change in Budgetary Allocations; Ministries, Agencies, and Diet Members Representing Interest Groups Scramble to Thwart Change**

Public works projects that have been on hold since the zero-ceiling [no increase] decision made at the time of the FY82 budget are about to come back to life in the FY91 budget. As a result of agreements concluded at the U.S.-Japan Structural Impediments Initiative [SII] talks, the way has been paved for the "Basic Plan for Investment in Public Works," a plan to spend 430 trillion yen for this purpose by the year 2000. Nobody opposes the creation of a country with an affluent and comfortable environment. However, will the plan really provide an answer to such expectations? The following is a search for the means to create such a new country.

A Chorus for Public Works "Relevant to Daily Life"

"We will see a scene of bloodshed if we seriously grapple with the task." So Chairman of the LDP's [Liberal Democratic Party] Policy Board Mutsuki Kato recently muttered to people close to him. The occasion that prompted his remark was the revision of the appropriations to individual ministries and agencies from the overall public works-related budget.

In late May, Chairman Kato spoke of his intentions to members of his inner circle as follows: "I would like to modulate the public works budget." This was the expression of his will to shake up the fossilized pattern of distribution from the public works budget to individual ministries and agencies according to the type of work in question. Since that time, only two months have elapsed, but we have already heard pessimistic words issue from the mouth of the chairman of the policy board, who is said to be a "man with strong arms."

One high official of the Ministry of Finance [MOF] expressed sympathy in the following way: "How could one not help complain under such a siege?" In the guidelines for budget estimate presentation, a new category of "public works relevant to daily life (PWRDL)" has been established with an allocation of 200 million yen. The new category aims to make daily-life related items, such as housing and sewage, and make them figure somewhat more prominently in a budget in which the pattern of budget distribution has changed little over a long period of time. As soon as the establishment of the new category was reported, a loud chorus for budget increase rose up from the individual subdivisions of the Policy Board.

"Set up a special budget category to improve bullet train lines."

"Expand subsidies to small- and medium-size retail stores."

"Increase subsidies to private schools."

"PWRDL related demands" continued to pour forth at the meeting sponsored by the chairman and vice chairman of the LDP's Policy Board that was held on the 24th. No Diet member mentioned the underdeveloped state of sewage or parks at this meeting. The percentage of flush toilet use, almost 100 percent in Europe and the United States, is only 58 percent in Japan (as of 1983.) Park area per person in Tokyo is 2.2 square meters (1985), 1/20th that of Washington, D.C. and 1/15th that of London and Paris. Statistics such as these were ignored.

If uproar on this scale follows even plans for increasing part of the budget, scenes of bloodshed may ensue if budget reductions are ever attempted.

Take for example expenditures for the improvement of the agricultural infrastructure, presently budgeted at over 1 trillion yen. The allocation for this item over more than the last 20 years has been at approximately 14 percent of the general public works budget. What a contrast when one considers that the percentage of agricultural production has dropped to less than one-third of the GNP over the same period.

However, the politicians' support for the improvement of the agricultural infrastructure remains "at the top level of priority, together with road construction" (so says the LDP's Policy Board member). President of the "National Federation of Land Improvement Associations," the national organization of land improvement district unions, is Zentaro Kosaka, former minister of the Ministry of Foreign Affairs. The presidents of Prefectural Federations, who share these views, include such prominent figures as former LDP Deputy Prime Minister Shin Kanemaru (Yamanashi), former Chairman of the Policy Board Masayoshi Ito (Fukushima), and former Minister of MOF Michio Watanabe (Tochigi). "Drastic surgery on expenditures to improve the agricultural infrastructure would turn all these politicians into enemies," (a high official of the MOF).

Vote Getting Machinery

Public works to improve the agricultural infrastructure involve not only the agricultural industry but also deeply affect local small and medium-size construction industry. At election time, farmers and local construction firms function as powerful vote-getting machines. Public works for the improvement of the agricultural infrastructure play the role of firmly bonding politicians to their electoral districts in a way that goes beyond their usual relationship as members of LDP interest groups.

If it is not easy to alter the share from a portion of the budget that goes to each ministry or agency, it is just as difficult to alter allocations to bureaus within each ministry or agency.

As the central theme under the category of PWRDL in the FY91 budget, the Housing Bureau of the Ministry of Construction (MOC) has proposed to review the "project for the promotion of improvements in public facilities related to housing and housing lots." This project aims to increase subsidies to improve public facilities, namely roads and parks, in order to facilitate the development of housing on a large-scale. However, the Road Bureau and the Urban District Bureau within the same ministry that controls roads and parks have vehemently opposed this proposal. Behind this opposition lies wariness that the Housing Bureau will gain a larger share of the budget on the strength of the boom in PWRDL appropriations.

"Shares of the Budget as Weighty as the Boundaries of a Country"

According to a frank talk by a high official of the MOC, "For ministries and agencies, and bureaus within them, and for politicians affiliated with them or with construction firms, a share of the budget is as weighty a matter as the boundary of a country"

What can be done to make changes in this fossilized pattern of slicing up the budget? Minoru Nagaoka, chairman of the board of directors of the Tokyo Stock Exchange and former vice minister of the MOF who has experience as an accounting officer in charge of public works, has contended as follows: "It is not only a matter of the MOF altering its allocations. The content of the public works budget must be determined on the basis of overall plans as to how to develop the country. At present, ministries lack horizontal communication and make uncoordinated budget demands. With the situation as it is, efficient investment in public works will take forever to achieve." The formula of budget allocation based on adjustment between demands that come up from below has reached its limit of usefulness.

[4 Aug 90 p 5]

[Text] **Attack by Local Governments; Poor Prefectures Appeal Directly for Subsidies; Differences Between Local Governments Grow and the Variety of Types of Requests Is Increasing**

On 11 July, not long after the U.S.-Japan SII talks ended, 18 speakers of prefectural assemblies, from Tohoku and Kyushu regions, met with high officials of the MOC at a hotel in Tokyo. The topic at the meeting focused on priority channeling of the "Basic Plan for Investment in Public Works."

Demands Follow the Outline of the Fourth Comprehensive National Development Plan

The speakers in questions are members of the "Conference of Prefectural Speakers on Measures to Fight Financial Difficulties" (CPS), established in 1986. The group consists of representatives from "poor prefectures" whose financial indicators show weakness. A request to be heard from every speaker at the meeting was: "Funds for new public works should be allocated entirely to prefectures in financial difficulty consistently with the spirit of the Fourth Comprehensive National Development Plan (4CNDP) which promoted a multipolar distribution of support for land development."

Until last year the main activity of the conference had centered on requests for financial resources to the Ministry of Home Affairs (MHA). This year for the first time the CPS has appealed directly to the MOC, an action that reveals its thinking to be that their chance is at hand to hitch their wagon to increased expenditures on public works. Speaker of the Akita Prefectural Assembly Masaru Tanaka, president of CPS, spoke thus: "That the plan to invest 430 trillion yen has been finalized is good news, but as yet we have no money in hand. We plan to make positive efforts to obtain the largest amount of subsidies or direct governmental funds possible."

On 18 July, as if waiting for the issuance of the Basic Plan for Investment on Public Works, the Miyagi Prefectural Government completed its request to share in the FY91 national governmental budget. As per this request, the rate of increase of public works related expenditures would be 10.5 percent, approximately double that of the national government's 5.5 percent; the request is centered on improvements in the agricultural infrastructure as well as expansion of Sendai Airport. The prefectural spokesman was enthusiastic in his statement that "given this figure for the next fiscal year, we would like to repeat the actual achievement rate of last year, 93-94 percent."

Mie Prefecture has already begun to acquire land for the smooth execution of future projects. Since 1987, the prefecture has found the scarcity of land at its disposal to be the bottleneck that has prevented completion of prefectural projects. Therefore, resolving not to "fall into the same rut again," the prefecture is studying ways to improve its system for lending funds to the prefectural land development public corporation in advance to acquire land.

However, local governments with weak financial resources are haunted by worries: "While public works to improve sewage have been encouraged, governmental subsidies for such projects are relatively small. Small cities, towns or villages will soon be out of breath. The national government should give us the usual (subsidies) as well as the unusual forms of assistance (bonds; tax transfer)," (Tottori Prefecture).

The heart's desire of every prefectural financial officer is that "MHA should negotiate vigorously with MOF to lighten the financial burden on localities." CPS' direct appeal also stems from this sense of crisis. In the near future the major problem will be how the central government and local governments should share responsibilities for funding and investing in public works, the general framework for which has already been defined.

Competing Ideas

The system of budget allocation also has entered a period during which changes must be made. MITI's [Ministry of International Trade and Industry] "Subsidy for the Facilitation of Industrial Repositioning" paid a part of the construction costs for the "Bach Hall" in Nakaniida, Miyagi Prefecture. Nakaniida had persuaded MITI to grant its application for such a subsidy.

In the case of the wooden concert hall, "Hall Kodama (Echo)", in the town of Maruko, Nagano Prefecture, the Forest Agency subsidized most of the construction costs.

Until now, the distribution of projects to local jurisdictions has been determined by competition between central government agencies bent on not losing their own shares of the budget.

Flexible Response by the Central Government Necessary

"Because of the area's mountainous geomorphology, building of even a single road may require vast expenditures. Financial resources at hand prohibit such a project." "Unless we have a trunk highway, the network of roads in the area cannot be utilized effectively." "Without a sewer system in place we can't urge our youth to return home." The types of projects that particular localities feel they need most differ, depending on their financial condition, the presence or absence of plans to improve the high speed transportation network, or their distance from Tokyo. Quite a few local civil servants point out that "unless the traditional system of allocating investment for public works undergoes change over the next 10 years, fine tuning [in response to special local needs] cannot be accomplished."

In its "Plan for a Sendai Teleport," the City of Sendai planned to establish a local telecommunications company to serve the Tohoku region. Last year the city petitioned the Ministry of Post and Telecommunications (MPT) for a subsidy to keep the company going until it was capable of running smoothly, but this effort failed. However, "MPT's financial resources will expand with the expansion of programs for investment," according to the city of Sendai. The move made by Sendai indicates that the list of local needs has lengthened to encompass improvements of facilities for public services.

Differences in financial capability have widened not only between the national and local governments, but also between individual local governments. The needs of local jurisdictions have become more diverse as well. What are needed in the future on the part of the national government are flexible and easy-to-understand responses to these needs as fleshed out in the public works-related budget.

[5 Aug 90 p 3]

[Text] **Local Needs for Public Works Have Not Made It to the Attention of the National Government; Lags in Improving Solid Waste Treatment and Sewage Systems Have Been Conspicuous**

In April the city government of Matsudo, Chiba Prefecture, famous for its unique "Section for Immediate Action," established a new "Section for Solid Waste Reduction." Solid waste discharge has been increasing rapidly in Matsudo, a bedroom town of Tokyo, given its fast population increase. The section's name reflects the city's firm determination to take measures to reduce its solid waste.

Twenty-nine Percent of Solid Waste Used for Landfill

At this time two incinerators in Matsudo are fully operational every day apart from days reserved for periodic inspection. A third incineration plant is scheduled to be built by 1994. While a government subsidy will pay half the usual construction costs, it will not cover the vast expenses for pollution control equipment to be installed on the city's own initiative in consideration of the welfare of nearby residents. A heartfelt cry rings out from the municipal office to the effect: "People live in close proximity to the planned incineration plant. We wish the government would pay for the pollution control equipment as well!"

The following data graphically show the shortage of solid waste treatment facilities in Japan: The national average of total discharge of solid waste per day was 122,762 tons (FY 1987), out of which 23.4 percent was used for untreated "direct landfill," dumped in the sea or other such places. The figure in Tokyo for directly dumped solid waste is as high as 28.9 percent. According to the Ministry of Health and Welfare, "There may be no advanced nation other than Japan that throws so much solid waste into the sea."

Take the case of the city of Kashiwa, next to Matsudo: Hikarigaoka Development, consisting of 109 buildings with 974 units, built by the Housing and Urban Development Corporation (HUDC) is located 10 minutes by bus from Minami Kashiwa Station on the JR's (Japan Railroad) Joban line.

Rebuilding Has Begun on Only 10 Percent of the Total Housing Units

Hikarigaoka was actually developed in FY56 (a part of it in FY57.) Even the tallest building had only three stories; there even were some single-story houses built. Most units consisted of either 2D (2 rooms plus a dining room) or 2DK (2 rooms and a space combining kitchen and dining area) measuring approximately a mere 40 square meters. "Hikarigaoka was developed in a period before washing machines became universal so that no allowance was made for space sufficient for installing washing machines," (HUDC staff). Renovation has begun in this antiquated development, rebuilding taking the form of high-rises consisting mostly of 3DK and 3LDK (3 rooms and a living and dining room plus kitchen) units.

HUDC has been grappling for the past four years with the rebuilding of 160,000 rental units built during the period between 1955 and 1964. By FY89, however, rebuilding had begun on 16,000 units, only 10 percent of the total. Completion of the project will take 20 additional years. An individual connected with HUDC let fall the following comment: "The project might be speeded up if the government's position regarding housing policy changes but ...."

The town of Ranzan, Saitama Prefecture, located at a distance which is about 1 hour and 10 minutes from Ikebukuro on Tobu Tojo Line, which now has come into commuter range from Tokyo, has until now lacked a public sewage system; construction on the town's first sewage works will begin come September.

For its sewage construction project, Ranzan will make use of the second type of subsidy for area sewage projects that targets areas with a relatively small population. This type of project subsidy came into being in FY81; only one to three projects have been funded annually. Ranzan has been applying for assistance from early on, but funding was not approved until FY89. The scheduled completion date is the end of FY93.

This is the reality regarding sewage treatment in local jurisdictions even in localities close to Tokyo. Nationally, no construction of sewage systems has been initiated in 2,033 cities and towns out of 3,246.

Improvement projects for infrastructure related to improved daily life, including facilities for solid waste treatment, housing, sewage, and parks, have had difficulty seeing the light of day. Items to improve living conditions in the public works expenditure portion of the national general budget, remain at 27.8 percent (FY90), a level essentially the same as that of 10 years ago (27.1 percent in FY80).

The Amount of Increment Unclear

The total percentage of funds for housing, improvements in the living environment, health and welfare, and education in the government investment and loans program has increased a little, from 48.2 percent in FY80 to 50.7 percent in FY90.

Certainly no LDP politician who goes around urging "let's create more parks" has been sighted. The following has been pointed out (by a mid-level manager of MOC): "Housing and sewage improvements are not as showy as items improving new trunk railway lines. The politicians tend to think that they will get little praise in their electoral districts for efforts of this type."

In the guidelines for budget estimate presentation, the MOF will permit increases totaling 200 million yen limited to investments in public works relevant to daily life. Albeit late, the MOF has begun to demonstrate an interest in items relating to an improved living environment. However, a concrete picture of what projects will be covered in the increased budget is not clear. This lack of clarity has brought about a situation in which politically influential sectors, such as roads, railroads, agriculture, or subsidy to small- and medium-sized businesses, may eat up the budget increment.

[7 Aug 90 p 5]

[Text] **Loss Deemed Serious in the True Value of Funds; Opinions Favoring Drastic Measures To Achieve Planned Improvements Gain Strength Within the Government**

Miura Kensetsu (Miura Construction) is a medium-sized construction company in Katsushikaku in Tokyo. The company employs approximately 400 carpenters and specializes in mold work. President Masao Miura has a big worry.

Work on the four-story high extension to the headquarters building has not progressed even a step beyond the stage of foundation work. "We can't give priority to our own building." Work orders have increased drastically due to a construction boom so that the ensuing shortage in manpower has forced the company to set aside mold works for its own building. The situation is exactly that of "indigo dyers wearing white [shoemaker's children going barefoot]."

Take the case of the development of "Kansai Metropolis of Cultural and Academic Research" that straddles Osaka, Nara, and Kyoto. The pace of land purchase for this public works project has been greatly delayed because this is an area where increases in land price have been notable. Cases in which land owners, who expect further price increases, attach a condition that they are willing "to sell in one to two years" have increased; as a result as of now the shape of the land acquired for the metroplis is very ragged.

The greatest bottlenecks for the completion of projects made possible as a result of expanded public works investment are manpower shortages and increased cost in land acquisition due to rising land prices. "If the rise in land prices is left uncontrolled, the level of improvements publicly promised in the U.S.-Japan SII talks will not be reached." A sense of crisis grows daily within MOF, the agency in charge of 70 percent of public works.

Public Works a Nuisance in a Time of Prosperity

As of last May, construction workers (defined as those who did more than an hour of construction work [a day]) numbered 6.12 million. The number has increased by 210,000 despite the nickname of 3K (Kurai, Kiken, and Kitanai) [3D in English; dark, dangerous, and dirty work]. Because of continued prosperity in the industry, the increase is far from satisfying the demand. Further, the greatest increase has occurred in clerical and unskilled laborers. The shortage of skilled labor keeps growing. Molders are in especially short supply. This year's average rate of shortage has grown to the level of 5-6 percent, compared to 3.4 and 2.7 percent of last year's and the year before last, respectively.

The number of *Dekasegi* (seasonal workers who work away from home), the traditional source of construction workers, has declined as well. There were only 70,000 *Dekasegi* in 1988 while they numbered over 220,000 in 1972 (according to a survey by the Ministry of Agriculture). A small number of laborers have become the target of contention among similar 3K industries, including transportation and shipbuilding.

The common practice in the private sector is to collect skilled labor from provincial areas, where a relative surplus and lower pay still exist, supplying hotel and transportation expenses. In addition to better pay, fringe benefits in health and welfare including the privilege to utilize recreational facilities are thrown in. Public works may match the wage level of the private sector, but construction businesses find it almost impossible to shoulder fringe benefits associated with personnel.

At present, private sector construction companies have enough work for the next 12 months so that the number of firms that are willing to bid for public works keeps decreasing. Honestly speaking, builders must regard public works as something of a nuisance in a time of prosperity even if they may be a life saver during a depression. Cases of incomplete bidding in which nobody emerges as the contractor are on the rise. There already exists an example of a local jurisdiction, namely the Tokyo Metropolitan Government, that has gathered industry representatives to present an unusual "request for bids."

Strong Demand for Substitute Land

Land acquision is a serious problem. MOC's stock of land for its own project in 1988 was sufficient only for 0.98 year, a precarious situation of day-to-day-management where one has to keep pedaling the bike in order not to fall. Influenced by the trend of an abrupt rise in land prices that has been spreading nationally from urban areas outward, cases have increased rapidly of land owners asking for substitute land rather than money. As a result, the percentage of purchases to satisfy demand for substitute land rose to 16.8 percent (1988) of total government purchase of land.

This rate has increased steadily during the last year and this year as well; one view sets the rate as rising to 20 percent in FY90. Individuals in charge of land acquisition must buy land in two places in order to secure at least one parcel. MOC mocks itself for "acting as if we were real estate brokers constantly checking information that has nothing to do with the purchase of land for public works."

At the same time, the spread of land price inflation into the countryside has marched on. In FY88, the average price per hectare paid for public purchase was 279 million yen, the second highest rate of increase when compared to that of the previous fiscal year, 22.9 percent, next to that in FY87, 31 percent (in FY86, the rate was 10.2 percent).

In FY89, the Tokyo Metropolitan Government failed to spend 43 billion yen, 3 percent of a total appropriated of 1,374 billion yen, that had been earmarked for public works. The rate of completed projects has declined every year, unspent funds amounting to 36.8 billion yen in FY87 and 12.3 billion yen FY86. In most cases, the failures were caused by difficulties encountered in the process of land acquisition. "The attachment to land on the part of residents is so strong...." (an official of the Kochi Prefectural Government). Anxieties concerning land acquisition are also to be heard from local residents.

Optimism on the Part of the Bank of Japan

The following is a hypothetical calculation: When subtractions are made from the nominal total investment for public works, 430 trillion yen, at an annual average rate of two percent to allow for a general rise in prices and five percent for rise of land prices, within 10 years the net sum that can be used on the projects themselves will be reduced to 341 trillion yen. Can the loss really be limited to such a level?

Immediately after the last U.S.-Japan SII Conference an individual connected with the Bank of Japan presented an optimistic view, asserting that "Given an increase of this size (in public works), no new finance policy is required." On the other hand, it is a fact that a tougher opinion has emerged within the government to the effect that "a financial tightening should be carried out together with measures to curb land prices so that public works projects can be completed, even at the price of shutting out some projects in the private sector."

* Kaifu Cabinet Faces Two Big Problems

902A0271A Tokyo SANKEI SHIMBUN in Japanese 5 Aug 90 p 5—FOR OFFICIAL USE ONLY

["Opinion Up" Column by SANKEI editor Yutaka Ikahata: "Is There A Clever Scheme To Reduce Land Prices?; Money and Financial Restrictions Are Major Premise"]

[Text] **Two Propositions by Kaifu Cabinet**

The two major themes currently in domestic politics are "political reform" and "the land problem." Prime Minister Kaifu always takes up these issues when he stands before an audience and with ample gestures, makes the appeal that he "will undertake a solution with all his might."

Perhaps because that action gives a very serious impression, Prime Minister Kaifu has very high popularity in the so-called public opinion polls. It is an atmosphere just like that of the first half of the Nakasone regime. This gives firm roots to the rumor that undoubtedly he will be reelected in the Liberal Democratic Party presidential election, which at the earliest will be in the fall next year.

However, "implementation" or "solution" of both political reform and the land problem will be very difficult when the time comes. There are concerns from the standpoint of the "people" who say that it's all right if it has to be like the sales tax of the Nakasone regime, but.... If he cannot fulfill his public promise, the reasoning is that the Kaifu regime will die in the gutter.

Both are very weighty political topics for the Kaifu cabinet. Let us consider here the land problem on whether or not there is a clever scheme for solution.

To speak in advance, it is the author's conclusion that there is no policy that will satisfy the public. Therefore, in order not to be called a "verbal politician" behind his back like former Prime Minister Nakasone, the prime minister will indicate clearly the contents of the policy he will be able to carry out as a politician, or in other words, the specific details of his land policy. If he removes the delusions of the public about land policies in this way, it undoubtedly will be the crowning glory of the Kaifu regime.

Contradictory Expectations of the People

In a word, "the people's expectations concerning the land problem" are very complicated in content. There is opposition and contradiction also. In considering "land prices," for example, one person advocates "lowering the prices" and another person believes that "prices will be raised somehow."

It is the same with "land speculation" that is closely connected with land prices. Recently, I had the opportunity to hear a conversation between Sapporo Mayor Itagaki and Muroran Mayor Iwata. As opposed to the strong dissatisfaction stated by Mayor Itagaki that "The wealthy living in Tokyo are shopping around for apartment houses in the city of Sapporo and pushing up the land prices in Sapporo," Mayor Iwata advocates that "Anyone can come here. We want to sell land cleared by the city."

It goes without saying that Sapporo is an overcrowded city that is promoting "unipolar centralization" and Muroran is a depopulated city that is troubled about decreases in the population. Both mayors naturally have different demands on the land issue and there are no mistakes in the speeches of both mayors. The fact is clear that though the heads of local autonomous bodies are the ones substantially responsible for land administration, contradictory land policies must be demanded depending on standpoint.

In order to respond to these contradictory policy requirements, Prime Minister Kaifu must promote an adjusted national land policy or a regional land policy, or in short, a land policy which indeed is risky. That prescription is clearly indicated in the New Administrative Reform Council's "Land Report," or the government's "Comprehensive Land Policies," or the Economic Council's "Region and Land Committee Report."

Prime Minister Kaifu again established a Land Policy Council this year and announced his resolve to undertake land policies after receiving their report. However, the possibility is very slim that a proposal will come out beyond the decisions of the aforementioned organs. Land policy has long since entered the stage of "implementation," not "debate."

If the prime minister is considering evocation of the holy name of land policy, that clearly is due to a private political ambition. The intelligent public will not be fooled by such trickery. They should have the insight.

Be Ready for Big Recession Policy

Even though there is contradiction and opposition, the land policy most strongly desired by the people today is a curb on rising land prices. They are fervently seeking a reduction of land prices in the National Capital region, Kinki region, and Nagoya region, of course, and metropolitan areas such as Sapporo, Fukuoka, Sendai, Hiroshima...

Even tiny landowners who can apply the special tax reduction to the fixed assets tax are no different on this point. That is because of the increase in holding taxes and inheritance taxes even though the land cannot be sold.

A so-called "review of the land tax system" can be called ineffectual for the most part in curbing those land prices. The implementation of land tax system reforms along with land use policy tied to restrictions on private ownership of land will make possible for the first time effective land use preventing land speculation. Unfortunately, however, it is impossible to expect that.

Far from that, the government is now trying to implement a policy that will raise land prices. For example, there has been an agreement in the U.S-Japan Structural Impediments Initiative talks for a public works investment of ¥430 trillion to be accomplished in the next 10 years. The Ministry of Finance has approved an increase in public works project expenditures in the initial budget for the first time in 12 years.

We are in a situation where there has been a long period of continued economic expansion that is on the verge of a lull and public works projects cannot be undertaken with the worker shortage. This is clearly not the time when aggressive financing with public works investment as the nucleus should be taken.

Yet, if land prices are to be lowered, a strong tight money policy needs to be taken that will raise the official rate and other controlled interest rates over 1 percent and reduce the bank loan balance over the previous year. In short, it is the implementation of a recession policy that also should be called a financial panic. It is the implementation of a policy that invites firm bankruptcies and unemployment.

That can by no means be called a "policy." That is because economic policy must maintain stable business. However you look at it, financial management must be made to increase public works project expenditures for the time being. To make investments that will not raise land prices by selection of particular public works projects is sophism.

* Decisions Concerning Land Use Expected

902A0276A Tokyo NIHON KEIZAI SHIMBUN in Japanese 9-14 Jul 90—FOR OFFICIAL USE ONLY

[9 Jul 90 p 21]

[Article by Nikkeiren chairman, Eiji Suzuki: "Destroying Myths by Lowering Land Prices—It Is Necessary To Strengthen Tax on Holding Land; Extravagant Financing Encourages Sudden Rise in Prices"]

[Excerpts] [Boxed item] (1) The land problem has reached the stage of undermining the work ethic of the Japanese people. We must hold aloft as a policy objective the realization of a society in which an average white collar worker can own a home costing three to five times his average annual income, and must hasten implementation of measures consisting of the three pillars of finance, the tax system and land utilization.

(2) What created the direct cause of the sudden rise in land prices is unprincipled financing by financial institutions against a background of excessive liquidity, so the finance authorities and industry circles should bear responsibility in the guiding of finance.

(3) It is necessary to strengthen the tax on holding land, centered on land which is vacant or has a low level of utilization, in such a way that the land will cease to be advantageous as an asset. We must lower land prices in order to destroy the land myth. Economic chaos will not occur even if the price declines sharply. Speculative activity is still continuing, so we must not create an opportunity for it. [end box]

A Goal of Three to Five Times the Average Annual Income

The sudden rise in land prices in recent years has ended up turning the value of the diligent labor of the Japanese people into something relatively small. The situation in which, even if he works all his life, a white collar worker cannot own a home in the suburbs of a large city, or in which the difference in assets between a person who owns land and a person who does not expands abnormally, has not only become the greatest factor which hinders Japanese from having a real sense of affluence, it has already reached the stage of undermining a healthy work ethic.

The increasing seriousness of the land problem also destroys good labor-management relations. The impact is particularly great on small and medium enterprises, which cannot have sufficient company housing. Five years ago, when portents of the sudden rise in land prices began to be visible, Nikkeiren was concerned about housing difficulties of employees and the adverse influence on management which would accompany it, and suggested the importance of countermeasures in regard to the price of land. Subsequently, the price of land rose sharply, and now it has reached a situation in which one must give up both the idea of company housing for small and medium enterprises and the idea of homes owned by company employees.

If we consider that what ultimately supports the healthy development of Japan's economy and society is the diligent work of the Japanese people, this kind of situation is a very serious problem, so striving with the full resources of the nation for a rational solution of the land problem can be said to be an urgent task.

In order to solve the land problem it is necessary to clarify our viewpoint. Because it is a situation in which interests are entangled and there are many contending views, unless we narrow down our objective, and judge in its light, the focus of countermeasures will end up becoming blurred.

I think we should make our goal the realization of "a society in which a white collar worker can have a home if he works diligently." We should hold aloft as a goal the reaching of the point at which one can buy a house costing three to five times the average annual salary of a white collar worker, and greatly reduce the price of land. The only way to destroy the "land myth" that holding land makes the most money is to bring down the price of land.

The means of realizing this objective consist of the three pillars of finance, the tax system and land utilization policy.

First of all, the one which is effective immediately is finance policy. To begin with, the nucleus of the mechanism which raised the price of land is found in the fact that, against a background of excess liquidity, financial institutions provided unlimited funds with land as collateral, thus encouraging land speculation and the transferring of land back and forth by agreement to artificially raise the price. It is obvious that what created the direct cause of the sudden rise in land prices was extravagant finance. The price of houses also rose astronomically. There appeared even the ridiculous "100 year loan," the paying back of which would finally end in a grandchild's generation. It is inconceivable by common sense, so it is difficult to call it healthy.

The land financing by each individual bank has some aspects which cannot be helped in terms of management policy, so it would probably be impossible to find out who is responsible. However, the responsibility of finance authorities and finance-industry circles, which for a long period tacitly permitted this kind of excessive land-related financing and let it take its course, is heavy. And the reponsibility of politicians who 3 or 4 years ago made a public pledge that "the sharp rise in land prices has stabilized," and did not try to grapple with it in earnest should also be called into question.

The occasions of sharp rises in land prices as in 1972-73, when the argument of Reconstruction of the Japanese Island Chain was hailed, and this time are both repetitions of the same thing. The Ministry of Finance, the Bank of Japan and finance industry circles should reflect upon this point, and aim at maneuverable finance measures.

Beyond that, what becomes important is the land-tax system. Land policy up to now was centered on such utilization planning as designation of use, demarcation of districts on maps and ratio of building volume to lot, and the view that the tax system played a supplementary supporting role was in the mainstream. But it only repeated the situation in which the price of land rose sharply in a period of easing of money, and stayed high even if money was tightened, so the abnormal rise of land prices was not corrected. As a result, land came to possess the highest economic value, and the land myth ended up becoming stronger and stronger.

It Will Be Strengthened for Under Utilized and Vacant Land Without Distinction

It has become an extremely difficult task to control it by the framework of such general land systems as city planning. Not only do such things as improving roads in urban districts require huge costs, the current situation, in which it requires a long time before implementation or becomes impossible to realize, testifies to the failure of Japan's land policy up to now.

In the light of this kind of experience, we must fix the tax system into place as a pillar, and incorporate the viewpoint of "a burden commensurate with the benefit received" into land policy in order to realize the idea of "from holding to utilization" which is stated in the report of the ad hoc research commission and in the Basic Land Act. In order to do that it is necessary to strengthen the holding tax. We should make the holding of land without using it difficult by creating a case in which one will suffer loss even if one is holding land.

To begin with, we will promote strengthening of the tax system for idle land, vacant land and land with low utilization, without distinction between corporations and individuals. We will also implement the taxing of farm land within urban districts at the same rate as residential land, which has become an issue. Escaping the tax levied on the surrounding urbanized land just because one is engaged in farming cannot be said to be fair. We should stimulate the delivery of land by strengthening taxation based on criteria which can be accepted when viewed with a fair eye.

To make up for that, it will probably be necessary to make such considerations as reducing the capital gains tax in the case of selling land to be residential building sites.

Concerning land owned by companies, too, the taxation of land which is not being utilized will be strengthened in the same way as for farm land. Furthermore, concerning national public domain which is idle or vacant, a high level of utilization should be implemented immediately in a concrete manner from the standpoint of taking the lead and giving an example to others. In the event that the strengthening of taxes on idle land and land which is vacant or under used generates such problems as lack of uniformity as regional taxes, it is also conceivable to make it a national tax.

In regard to general land, too, it is necessary to make the appraised amount for levying of real estate tax approach the market price. However, there would be danger of creating chaos if one immediately raised the appraised value based on the current abnormal price of land. Consequently, we should spend about 10 years, and gradually bring it toward a reasonable market price while watching trends in the price of land. [passage omitted]

In the event that there is an increase in the tax revenues of the nation or of local autonomous bodies because of strengthening the tax system, it will be important to restore the entire amount in a proper manner in accordance with the principle of revenue neutrality by doing such things as reducing resident tax, income tax, corporation tax, and so on.

It is desirable to put the tax system to use and promote control of land prices and efficient utilization of land as independent economic actions of land owners, without depending on direct, coercive intervention by administration. Taxes do not have much relation if the land is utilized in a suitable manner commensurate with the price of the land.

Among the arguments on reform of the land-tax system we are told to tax the latent profit of land (the difference between the market price and the book price), or it is said that corporations are treated better than individuals in terms of the tax system, but the viewpoint of this kind of argument is aberrant, so one should consider the matter calmly.

Certainly, it is true that the acquisition price and the market price are separated from each other. However, it is a problem which will solve itself if the price of land falls to an appropriate level by rationalization of the appraised value of land, and levying of taxes based on that appraisal. If one taxed the latent profit of corporations, it would have a great influence on company management, and would also violate the great principle of the tax system which holds that we do not tax profit which is not realized.

An appropriate tax burden on the holding of land would promote liquification of land, but it is not something that would lead automatically to desirable national construction and building of cities. What guides these is land-use planning and city planning. At the same time as revision of the tax system, Japan should concentrate its utmost efforts on creating projects for the systematic utilization of cities and the entire nation directed toward the 21st century.

Even With a Great Decline, There Will Be No Economic Chaos

Let us assume that the price of land plummeted to one-half its value because of this kind of drastic land measure. Would financial institutions go bankrupt, credit instability spread, and the economy fall into chaos as is said in some quarters? That would not happen by any means.

This year the price of stock fell drastically, but there is virtually no effect on the economy. Personal consumption and plant and equipment investment are both still satisfactory, and, depending on the stock, some have lost one-half their value, but I have not heard anyone say that it became a social problem. It is still less conceivable that the economy would be influenced even if land, with a market price that is vastly more irrational than that of stock, were to crash.

Of course there would probably be victims. But those would be people who are profiting by the distortion of the Japanese economy. People who transfer land back and forth by agreement to artificially raise its price, who boast of luxury, will come suffer, and among real estate dealers and some nonbanks there might be those who can not avoid bankruptcy. Reform cannot be carried out except with some pain.

In the past there has not been a single instance in which the rise in the price of land has ceased. It is the same as the magma of volcanos; it is constantly swirling about under the ground, seeking to gush out. Consequently, we must check dangerous places constantly, and must not give it an opening. Recently I had an opportunity to go to Matsuyama, and heard that the price of land in the central district has trippled in the last six months. It is said that Kansai dealers came and raised the price, and that now they are making a foray into Kyushu as well.

The government's countermeasures have always come too late. In the unification of East and West Germany important matters are settled in only two or three days. But in Japan there are many matters on which a conclusion is not reached even in two or three years.

Commenting on Japan, former Ambassador to Japan Mansfield said "The perception gap is too large." He means that a sufficient understanding of how much influence the Japanese economy has on the world has not been shaped. The same thing can be said concerning the land problem. It is precisely now that we should recognize how much of an adverse influence it will exert on Japan's future if we neglect this problem.

[10 Jul 90 p 27]

[Article by Kumamoto Prefecture governor, Morihiro Hosokawa: "It Is the Time When We Should Debate 'Making Things Public'—First of All, Eliminate Centralization of Authority; Comprehensive Administration Is the Path to a Solution"]

[Text] [boxed item] (1) Behind the land problem in Japan lie such things as the doctrine of placing industry first, which has existed since the Meiji era, the system of centralized authority, which encouraged the unipolar concentration in Tokyo, and the idea of priority for private rights, which has become deeply ensconced within the people of the nation.

(2) Whether it is the land problem or the problem of public investment, everything is decided at the central-government level, but it should be debated by involving the provinces to a greater degree. In order to solve the land problem it is necessary to change Japan into a federation-type nation by changing Japan's system from centralization to decentralization of authority.

(3) As a drastic policy to solve this, it is necessary to establish the principle that land is public property, and that at times the people of the nation will suffer severe limitations concerning the right to utilize it, and to cool speculation fever by thoroughly limiting private rights. We should seriously debate making land public. [end box]

The Drastic Policy Is Limitation of Private Rights

The sudden rise in land prices which began in commercial land in the heart of Tokyo spread rapidly to residential land in the heart of Tokyo, then to such peripheral areas as Kanagawa, Chiba and Saitama Prefectures, the Pacific Belt zone of Osaka and Nagoya, through the regional core cities of Fukuoka, Sendai and Sapporo, and to such provincial cities as Kumamoto.

If we compare 1955 and 1989, in the latter consumer prices rose 5 fold, GNP rose 47 fold, the price of land for the entire nation rose 54 fold, and the price of land in the

6 largest cities rose an astounding 128 fold. The price of subdivision condominium apartments in the more urban part of Tokyo comes to all of 10 times the average annual income of Tokyo residents, and far exceeds the five times which is considered the target for repayment of loans, so it has shattered the dream of home ownership.

It is also becoming a factor which impedes augmentation of social capital because of the adverse effect on prices and the rise in the ratio of expenditure for building sites, but the worst thing is that land has become the object of financial manipulation, so that effective use of land has become virtually impossible.

It is difficult to deny that the history of capitalism is the history of inflation; nevertheless, it is permissable to state positively that the present situation of a sudden rise in land prices is truly a state of "serious illness."

The targets which we should aim at for the present are "correction of the asset differential" and "effective use of land"; needless to say, put conversely, it is "control of speculative trading," and as a drastic policy, I think there is no choice but to throw cold water on speculation fever by making land public property, and making it clear that restrictions on private rights are also possible.

As the basic background to land having become an object of speculation, what must be cited first of all is the doctrine of putting industry first, which has existed since the Meiji era. It is probably certain that the preferential treatment of corporations in the land-tax system has encouraged speculation in land. Preferential treatment of corporations, too, has had its own meaning in the "Rich Nation-Strong Soldiers" policy of the Meiji era and in the period of reconstruction following World War II, but under the situation today we must take another look at it. This is because land is being overheated by the so-called "latent profit," which is the difference between the book price and the market price.

Secondly, there is the unipolar concentration in Tokyo. It is obvious that the current sudden rise in land prices had its beginning in Tokyo, and that the main cause of the land problem is there. The unipolar concentration in Tokyo has been encouraged by the system of centralization of authority since the Meiji era, and that vertically segragated administration is making it more and more difficult to promote administration in a comprehensive manner.

Moreover, we can probably cite such things as the fact that up to the Edo era the concept of ownership of land was, if anything, weak, but that the idea of priority of private rights has been strongly planted in the Japanese people because of the guaranteeing of property rights since the time of the Meiji Constitution.

In any case, the political, administrative and economic systems which aimed at a modern nation since the time of the Meiji Restoration, all of it, is deeply concerned with the present land problem, and has created a nation centered on land, whose parallel is not seen in the world, which holds that "land is certain to rise in price," and "as long as you have land, it will be of help in an emergency."

Shift Authority to the Provinces; A Federation-like Nation

While the current land problem has as its fundamental cause the special circumstances of Japan, its direct causes are an excess of money and the tax system and finance which supported it. One may say that the debate and the prescriptions concerning this have, for the most part, all appeared, but the prescriptions were a bit too diverse, so, contrary to what one might expect, it is felt as though the basic debate is being neglected.

For example, in regard to the tax system and finance, the means are also quite difficult to understand, so the objective which we are trying to attain is very opaque to the people of the nation. For example, to what degree will we try to bring down the rate of increase in land prices? Accompanying that, to what level will we try to raise the Japanese people's living conditions? Saying that the course of reform "depends on the result," must be said to lack persuasive power.

For example, will we make the appropriate level "the level before the current sudden rise in land prices" plus "the amount of subsequent increase in prices and interest rates"? First of all, a clear debate concerning the establishment of that goal is probably necessary.

What I would particularly like to state from the standpoint of the provinces is the fact that things which are also important to the provinces are all being advanced at the central government level; it is not limited to the land problem; take even the problem of public investment, which has recently become a topic of discussion.

For example, the kind of matters which are linked directly to the quality of life of each resident of the region, things like housing, sewer systems and parks, which are currently up for consideration in the problem of public investment, the handling of real estate tax in the land-tax system, etc., probably should be debated with greater involvement of the provinces which are the locations. In particular, originally, under the Shoup recommendations the principle of local autonomy was recognized, and the real estate tax was ranked as the main pillar of the independent revenue sources which supported this in a practical manner.

Comprehensive administration is indispensable to a solution for the land problem. Therefore, as I have stated previously, it is a matter of boldly changing Japan from centralized to decentralized authority, in other words, to boldly change Japan into a federation-like country. Such things as a transfer of authority in all fields related to the life of the residents, including also revenue sources, a change of subsidies to general revenue sources and abolition of agency-delegated business are necessary by all means, so we should limit the business of the nation to basic matters such as diplomacy and defense.

For example, in the present situation the designation of areas for the promotion of agriculture, and permission for diversion of agricultural land to other uses are decided on solely from the viewpoint of promoting agriculture by the Ministry of Agriculture, Forestry and Fisheries, and designation of urbanizing districts and urbanization adjustment districts are decided solely by the judgment of the Ministry of Construction. It differs from the countries of Europe and America, in which priority for utilization has taken root, and the goal of municipal improvement is clear; in short, a viewpoint which looks at a region with an overview is lacking.

How does one arrange factories and farmland, and houses and shopping districts, and how does one connect them by such things as roads, parks and sewer systems to push ahead with creating towns and villages? That is, how does one go about using land totally. Such matters naturally adhere closely to the region, so the most vital matter is to give to the provinces revenue sources and authority for comprehensive regional development, including even the tax system.

It seems to me that the so-called debate on moving the capital is not a meaningful debate either so long as it does not dissect this system of centralized authority. It is probable that dispersing universities to the provinces and tax ideas for ousting companies from the capital are themes which are far more worthy of study.

Destruction of the Land-Centered System Is Indispensable

Incidentally, there is an argument to the effect that even the current system has almost 300 laws concerning land, so if they were invoked as needed, even local autonomous bodies should be able to do a lot.

However, when you consider such things as, that entangled also in the vertically segregated administration of the country there is no order in the system of laws, that the substantive authority established in the individual laws resides in the nation as a whole, and that in spite of the fact that the role played by administration would naturally be different in large city areas and in the provinces, their application is established to be uniform throughout the country, then it is seen that there are only very limited things which can be done by autonomous bodies.

For example, it would probably be very effective if it were possible to realize the kind of system in which the more time that passes the more the purchase price declines, as in Singapore, in order to eliminate holding out for a higher price in regard to acquisition of land for public use. But, unfortunately there exists nothing like that in Japan.

Article 12 of the National Land Utilization Planning Act gives governors of urban and nonurban prefectures the power to designate control districts, but up to now no urban or nonurban prefecture has been able to put it into practice. It may be called the prefectures' timid administration, but if it were put into practice, the economic activity of that limited region alone would end up being completely paralyzed. That kind of drastic medicine cannot be used so easily.

Once, when I had a friendly talk with the author, Ryotaro Shiba, he said to me "How about carrying on a movement to place land on deposit? I mean both the haves and the have nots deposit their own land with someone, with the determination not to buy or sell it. Would it not become a good stimulus to society if many people emerged who engage in that kind of noneconomic activity?"

I would also like, by all means, to promote this kind of land-deposit movement; I have been an advocate of making land public for the last 20 years. It is a fairly rough argument, but I have said that in regard to land we should at least go relatively deeply into limiting private rights.

Land is public property, so I strongly suspect that the future of Japan's economy and society will probably be in great jeopardy unless the principle is established that at times the people of the nation will suffer severe restrictions concerning the utilization of land. That is, even in capitalist economic principles, leaving land alone to take its course is not sacrosanct above all else.

Now there are also such arguments as the use of land for equity financing, or index bonds, but be that as it may, I firmly believe that since land has become the root of all evil to this degree, there is nothing to do but destroy the system centered on land by a "third land reform" after the Meiji Restoration and the liberation of agricultural land by MacArthur.

Of course, before reaching this point, it is probable that there will also be a way of providing for resolute control of private rights by law, as in West Germany's detailed district plan (Plan B), for example. Or there will probably also be the method of levying real estate tax progressively on ownership of land above a certain size, as in the Republic of Korea's law on the upper limit for ownership of housing lots.

Even granting that there is the difference that in Japan more than 60 percent of people have land and in South Korea more than 70 percent do not, if we condider the future of Japan, it would probably truly become a "Gorbachev-like reform," and I think this is a time when we should seriously debate making land completely public, and attempting to make use of it effectively.

[11 Jul 90 p 27]

[Article by Sophia University professor, Gregory Clark: "Raising the Land-Holding Tax for Individuals: Increase Supply, Control Speculation; Redevelopment of Densely Built Up Residential Areas Necessary"]

[Text] [boxed item] (1) Strengthening the real estate tax would not only help to control land prices. It would have such effects as: with the bearing of an appropriate share of the burden, the concept of the public nature of land would become stronger, the increase in tax revenue accompanying public investment would promote the augmentation of social capital, autonomous bodies would come to take responsibility for their way of using tax revenues, and by combination with a reduction in income tax, it would be possible to reform the entire tax system.

(2) The emphasis of the current debate appears to be on the strengthening of taxes on companies, but holding of land by individuals produces nothing and is not contributing to society. The burden of the land-holding tax for individuals should also be increased.

(3) It is not that there is no land in Japan; it is merely that it is not put to use efficiently because of tax-system defects. It is crowded single-dwelling residential districts more than company-owned land which should be used effectively; if these are redeveloped, the housing problem will probably be solved. [end box]

Japan's Low Real Estate Tax

Everyone is watching with great interest the present situation of trying to reach a general consensus concerning reforms which will make the land system into something strong. Japan's real estate tax is very low, averaging from 0.1 to 0.2 percent of the market price. The going rate for land-holding tax in the nations of Western Europe is generally 1 percent of the market price, and in America and one part of Europe there are some cases in which it is 3 to 4 percent.

In Japan, too, recent opinion appears to have begun to unite on wishing to raise the tax rate on land held by enterprises. If we consider the logical formation of the land-tax system, and the benefit which should be derived as a result, we must conclude that the tax rate should be raised not only for enterprises, but also for land owned by individuals.

The chief aim of raising taxes lies mainly in trying to put a brake on increases in the price of land. By the raising of the tax rate, it will probably become necessary for landlords to use their own land effectively in order to pay the tax, and if they cannot use it effectively they will have no recourse but to sell it; consequently the supply will also increase, and by extension it means that it will also become possible to restrict investment in land with the expectation of a future rise in price.

Moreover, this will not be the only benefit to be produced by introducing this kind of rational tax system; in addition, I can think of the following four points.

First, the land tax will probably plant the concept that land is not only simply the possession of an individual, but is something public. Japan is a society which possesses strong group-morality, so it is to be expected that the idea that land belongs to the nation and to all the people of the nation would be accepted more rapidly than in the societies of Western Europe. However, I must say it is strange that in regard to this point Japanese commentators, conversely, constantly use the argument that more power should be given to the nation in order to secure the land necessary for public works, or that controls should be placed on private use of land.

Of course these are also important points, but what is more important is having the idea that the conditions for the landowner to be able to put the land to use freely cannot be met until he has financed the expenditure for public investment which produces the utilization value of the land.

The levying of taxes based on the market price would be a simple tool for introducing this basic logic, and it is to be expected that the market price of land would begin to clearly reflect value based on public investment. Consequently, it can be said that a tax system based on the market price of land would be fair. It is the idea that one can obtain the right to use the land freely by paying "rent" in the form of land tax.

Promoting Augmentation of Social Capital

Second, it would also become easy to measure the true social value of public works. Seen by outsiders, it is even a shock that Japan does not want to make public investment for the purpose of augmenting social capital which has been said for some time to be lacking, that is, investment in development of such things as expressways and railroads, which have a great ripple effect. One reason for that lies in the fact that the Ministry of Finance ends up with a low estimation of the development effect, that is, the ripple effect. It appears to end up estimating the ripple effect in Japan at a low 50 percent. And the present situation is that the Ministry of Finance does not approve it unless 50 percent of the investment amount can be financed by direct revenue of the project.

In Western Europe the direct profit of a project is estimated at only about 20 percent; consequently, the estimate of indirect income comes to 80 percent. It is also because they are employing a rational land-tax system that this kind of high income can be estimated; in the event that new roads and railroads are constructed, and the price of land in that area rises, the income from land tax will also inevitably increase, so the government's public investment, too, will be repaid quickly. I wonder if the Ministry of Finance would not be a bit more generous in expenditure for public investment if Japan, too, could raise its land tax.

Third, local autonomous bodies would assume responsibility for how they use the tax. In the nations of Western Europe the main income which supports local autonomous bodies is tax on holding land, so the local autonomous bodies decide the tax rate in such a way that it corresponds to their expenditure for land. As a result, landlords pay closer attention to the way in which tax monies are used, and are satisfied if the taxes are being used in development plans for the purpose of maintaining a situation in which the value of their land rises, or at least stays the same, and launch big opposition movements if it is used in a useless way.

The reason why Japan's local autonomous bodies lack this kind of fine control by taxpayers is because the local autonomous bodies' source of revenue depends on grants fom the central government and local-tax income from individuals and companies, the rates of which are decided by the central govenment. Consequently, almost all taxpayers end up becoming indifferent to the activities of the local autonomous body in which they, themselves, reside. This is a large cause of their permitting the bodies to simply squander taxes. If the autonomous bodies had to take responsibility for raising income by themselves, they would, spontaneously, also take responsibility for the uses to which they put it, so it is to be expected that they would also carefully consider the effect of the construction of luxurious village offices and ward offices.

Fourth, reform of the tax system is possible. The income tax for individuals and companies is clearly too high. Unreasonably high levying of taxes makes taxpayers desperate for measures to reduce their tax, and is also a great loss when viewed in terms of economic activity.

In regard to the consumption tax, which has become an object of debate in various ways, Japan ended up introducing the model of the countries of Western Europe, but on second thought, the income that would be produced by a suitable system of land tax would be greater than, or at least equal to, the income obtained by the consumption tax. A suitable land-tax system would be more progressive than the consumption tax, and would be superior to a regressive tax because it would be easier to administer, and it would also be more difficult to escape the tax.

The recent debate on land tax appears to be placing the point at issue on taxing land owned by companies more than that owned by individuals. However, while it may be difficult for Japanese to believe, in Western Europe it is thought that, conversely, the land of private individuals should become more an object of taxation than the land of companies.

At least companies are creating wealth and profit by using their land, but individual owners use the land only for their own enjoyment. If we consider land tax as a type of consumption tax, we can consider that land to be intermediate material which produces goods, and it also consitutes a tool, by the use of which one tries to create the final product. Consequently, it is because the idea holds that it is precisely those people who do not produce, but merely consume what the land produces, on whom a large tax should be levied.

Looking at it over the long term, Japan will probably have to move in the direction of raising the tax on holding of land by individuals, which at present is kept low. But it is probably certain that regardless of the kind of method by which one raises the real estate tax on individual ownership, it will encounter the opposition of people in general. I also hear that, if anything, Japanese politicians did not give consideration to heavy pressure of real estate tax on swollen land-prices, and lean toward raising the tax rate, but rather inclined toward the difficult to believe view of wanting to lower the land tax. Can this be called wise government?

If we take a good look at Japanese cities, more than the extensive land owned by companies which is not being utilized effectively, it is rather, is it not, the still more extensive land, which has neither been redeveloped after World War II, nor on which high-rise buildings can be built, which is crowded tightly with single-family houses built right next to each other like bamboo shoots after a rain, which should be made an issue.

If even 30 to 40 percent of these areas were redeveloped, I expect that Japan's housing problem would be cleared up. But the existing tax system does not even give to individual land owners sufficient benefit to enable them to be cooperative in regard to parting with land for the purpose of redevelopment. The present situation is such that if they sell the land a large tax will be levied as transfer income, and the loss in value of the property of people who have already sold the land would be more severe than that of the property ot those who held without selling.

Land Is Not in Short Supply

If it were possible to reverse the current situation in which transfer tax is high and real estate tax is low, we could expect improvements on all sides. If opposition to introduction of the new tax system were fierce, how would it be if we dealt with currently owned land by the existing tax system, and applied the new system only to land which is bought and sold in the future?

In Japan there is a myth which says "land is certain to go up," furthermore, there is also a myth which says "Japan does not have enough land." But there is certainly no shortage of land in Japan. It is simply a matter of land not being put to full use because the tax system is defective. Japan is larger than West Germany, and though it is mountainous, much land can be developed.

The population of Osaka city is more than 2 million, equal to that of Paris, but Osaka City is twice as large as Paris. Furthermore, the population of Tokyo's 23 wards is four times that of Paris, but its area is all of six times that of Paris. But virtually all of the urban sections of Paris are covered by groups of five or six story apartment houses, so there is no talk such as a drastic rise in the price of land. Moreover, Parisian streets are also much wider than those of Osaka and Tokyo, and the area devoted to parks is also particularly large. The land problem of Japan's large cities is a matter that can be solved by destroying small single-family houses and replacing them by medium-rise housing.

All things that are called booms are fated to end. Particularly in regard to land, in the present situation in Japan, in which the rate of operating profit is much lower than interest, there is also a limit to how long speculation circles will endure. It is impossible for the abnormal situation of such things as being able to buy all the land in America four times over for all the land in Japan will continue forever. In any case, Japan must strive to restore the price of land, which has ended up rising without limit, to where it was originally, and do this skillfully by means of a soft landing. If it ended in a hard landing, the influence it would exert not only on Japan, but on the international economy, would also be too great.

[12 Jul 90 p 27]

[Article by Japan Economic Research Center managing director, Yasushi Konishi: "First Correct Tax System's Distortions: An Appropriate Burden for Holding; Propel Urban Planning Toward High-level Utilization]

[Text] [boxed item] (1) The appraisal of land for inheritance tax is low, so land assets have a big advantage in transferring wealth between generations. The effective tax rate of real estate tax is also low. The nature of such taxes is distorting the supply and demand of land.

(2) We should introduce bold incentives for raising the level of land use. When we consider such things as external economy, it is also necessary to promote raising the level of land use with city planning, etc.

(3) Landowners should probably bear a burden appropriate to the rise in land prices for the sake of social fairness, as well.

(4) And we will promote rationalization of nationwide land use by means of public investment. The effect of a fall in land prices on credit has risen, so a finance policy should be carried out in a manner which verifies land prices. [end box]

Demand for Land Increases Because of Discriminatory Preferential Treatment

In Japan the price of land is very high. If that is because of the scarcity of land in Japan, the high price of land is, to some extent, unavoidable. Moreover, one can also anticipate the effect of land use being made more efficient because of the high price of land. Even so, it is probably a troublesome situation.

To recognize neither private ownership nor the market in regard to land, but to adopt a system of overall allotment and rationing so that land and houses would be allocated in the population is also one plan. But in the following we shall consider land countermeasures which do not make drastic changes in one leap, but which take as premises for the time being private ownership of land and establishment of a market price for land.

I feel that that alternative is more realistic. The Japanese people's dissatisfaction lies in the fact that they cannot obtain their own land, so, contrary to what one would expect, they might be disappointed by private ownership not being recognized.

From this viewpoint, high land prices are not solely because of the scarcity of land; thought should be given to such things as (1) Does it not reflect some distortion in the process of price formation? (2) To what extent is the high cost of land useful in conservation of land and its effective use? And as to the proper nature of the policy, it would probably not be strange if we first began from removing the distortion and inefficiency, and considered the next move after having done that.

The very first thing that can be thought of as that kind of distortion is tax distortion. It is a broad principle that the correctness of a tax system is that it be neutral, not discriminating based on assets and income.

But in inheritance tax the appraisals of financial assets and land assets are different, and as a result, transferring wealth between generations by inheritance of land has become the more advantageous by far. Putting aside, for the moment, the question of whether the inheritance tax rate is appropriate, the tax system, itself, treats the holding of land preferentially in a discriminatory manner compared with the holding of financial assets, so it raises the demand for land even more.

Furthermore, even if we take real estate tax, the effective tax rate is low, so it has become a kind of situation which is the same as unrealized capital gains (the profit from a rise in price) not being taxed. This, too, is expanding demand for land through the discriminatory effect of the tax system.

This matter was probably a problem before the so-called "making use of the land-tax system." There are probably also significant things concerning making use of the land-tax system as an exceptional tax measure for the purpose of promoting effective use of land, and there are probably also cases in which, contrary to what one would expect, the basis of the tax system is distorted by its cleverness.

But even so, the tax system is raising demand for land by discriminating and looking at the holding of land in an advantageous manner. We must first change this kind of nonneutral basic posture of the tax system.

Furthermore, the relative importance which asset-tax revenue accounts for within overall tax revenue in Japan is not all that low if we compare it internationally. Judging from this point, if we were to assert that the levying of tax on assets is being done in an appropriate manner, it would probably be a mistake. If we compare it internationally, the ratio of income to assets (flow to stock) in Japan is very high. There is also considerable discriminatory treatment among assets.

The fact that the price of land is high would be expected to promote effective use of the land as an operation of the price mechanism. But, actually, that function is not being displayed adequately. The special feature of Japan's land prices is that the price of land is abnormally high compared to income from rent on land and rent on housing. There is probably also an aspect in which this is because the price of land has gone up irrationally by speculation, but it probably also reflects the fact that the use of land remains at a low level.

One cannot make land-rental and housing-rental income commensurate with the price of land by building single-story houses in places in which one should build 10-story buildings. That people leave them as single-story houses, even so, is probably because of such things as the existence of the Land and House Rent Act; once the form of land use is decided on it is difficult to change it later, and that since the cost of holding it is low, obtaining income in the form of an increase in the price of land is more advantageous in terms of the tax system.

A tax on holding land will be effective in preventing the effective use of land not progressing because of waiting for the price to go up, and also in preventing the vicious cycle of a shortage of land inviting a rise in the price of land.

Adverse Influence on Urban Environment by Subdivision of Land

Of course, actually there is the aspect of land use being further subdivided, and the urban environment becoming still worse, because of such things as building an apartment in one's garden in order to pay inheritance tax and real estate tax. In order to have effective use of land, it is desirable to use land on a somewhat large scale. With a tiny strip of land it is possible neither to make buildings high-rise nor to provide for an abundant amount of open space. In regard to use of land there is a limit to what in economics is called divisibility.

Furthermore, with land it is possible to establish a domain and prohibit use by other people, so it cannot be called the public common good in the strict sense, but it has "externality" since it is influenced by the use of land in surrounding areas. Judging from this kind of thing, reinforcement of the price mechanism will be necessary to effectively use land in cities.

One of them is to remove disincentives for making land use common and raising its level, and to provide incentives. For the purpose of the former, rationalization of control of the building-to-land ratio, and relaxation of the Land and House Rent Act are conceivable.

And as a means for the latter, regarding such things as home financing, could one change things in such a way that the financing for each individual house would not be determined with the Building Standards Law as the standard, but rather would be determined by the standard of whether it would countribute to effective use of land in accordance with city planning?

According to the method of financing homes up to now, it has been geared to help in the aquisition of a home by the individual who receives the loan, but looking at it as society as a whole, it has increased demand for land, and pushed up the price of land. We should probably change it to a system which, even in financing a home, looks at the supply side and effective use of land.

Furthermore, in preparation for cases in which the response to this kind of stimulus is inadequate, we shall also have to try to strengthen such regulation, including restriction of private rights, as promoting the exchange and sharing of land, and establishing a minimum number of stories for buildings. Moreover, correction of the unipolar concentration in Tokyo, and measures for balanced use of all the land in the country are things that will help to increase the efficiency of land-use in the broad sense.

In the final analysis, I can recommend as land measures only two points: rationalizing the tax on holding land, and promoting land-use planning and city planning directed toward raising the level of land use.

The problem is that political opposition to such land measures is strong. Political compromise will be necessary in order to implement the policy, but it is impossible to solve problems if one keeps running away. There is also the view that it would be unfair to levy land-holding tax, just because the price of land rose, even though residents had nothing to do with it, but if one exempted only small residential lots from taxes, land use would be further and further subdivided.

What is more, if people who have a small piece of land in Tokyo sell it at some time or other, they will have enough wealth to buy a house in outlying areas, and, moreover, be able to live a life of ease, but the reverse is not possible for the owner of a small piece of land in the provinces. Are not the "land-owning class" too insensitive to the difference between them and those who do not have land?

If one says that society is responsible for the rise in prices, and the person involved had nothing to do with it, one can have him pay land-holding tax based on the old price. In exchange, it does not make sense unless we have him return to society as taxes the entire amount of the price rise which he did not want, should he dispose of that land.

Furthermore, rationalization of the land-holding tax is also necessary in order to prevent expansion of the difference in distribution of assets.

A Finance Policy With Signs of Tightening

In closing, we shall look at the relationship between macro-government finance monetary policy and land-price countermeasures measures.

As a result of the SII [Structural Impediments Initiative] talks, the amount for public works will be increased in the future. Public investment will help in the rationalization of land use throughout the country. If we increase public investment politically by the determination of top leaders, that increase should probably be distributed slanted toward things which can raise the utilization effect for all the land in the country.

At the same time, as seen in the failure of the Plan for Reconstruction of the Japanese Island Chain, public investment is not without cases in which, contrary to what one would expect, it raises land prices and invites inflation. It is necessary to implement the investment at the proper tempo.

Both at the time of the reconstruction of the island chain and after the strengthening of the yen, loosening of financial control was behind a sudden rise in land prices. If we increase government finance investment in the future, we should adopt a policy mix (unified operation of treasury and monetary policy) with a tinge of tightening of financial control. That would also help in stability of the price of land.

At present, prices in general are still steady. It would not do to tighten financial control solely in order to lower the price of land.

But if concern about inflation arises, we should tighten financial control without relating it to trends in land prices. This would prove that finance policy is not being carried out with the aim of lowering the present price of land, and destroy the "land myth."

There is also the theory that the credit system would be in disorder if land prices decreased, but I think it has been overly exaggerated. An increase in collateral would probably be demanded if land prices were to fall, but are Japanese banks such sticklers for rules that they would bankrupt properly managed companies (bad debts would be created by this, so they, themselves, would also suffer loss) without regret just because they could not comply with that? I cannot believe that such a thing would happen.

[13 Jul 90 p 27]

[Article by Tokyo Metropolitan University professor, Yorinobu Ishida: "To Introduce Detailed 'Utilization Plan': Guide Regional Development; Attach Importance to Public Restrictions on Private Rights, Too"]

[Text] [boxed item] (1) Doctrines related to land-use planning are clear in the case of England and West Germany, and are guiding policy in a precise manner. Compared with this, in Japan land-use planning is vague, so it is inadequate as a basis for policy.

(2) The measures of the Basic Land Act are parallel, and the method of integrating them is unclear. It will not do merely to stipulate an obligation to strive to adjust in order to preserve coherence; one needs a "long-term policy outlook" which stipulates systematization of policy.

(3) The core of the long-term policy outlook is to be sought in "detailed and strict planning for land utilization." A new system of land-use planning based on the concepts of basic land use and licensed land use is indispensable. [end box]

Japan's Legal System Lacks Strictness

The Basic Land Act which was established in December 1989 is considered to have established basic doctrine and policy on land in order to solve the land problem. However, the basic doctrine which is set forth is not something clear like the doctrines which guide the systems and policies of foreign countries. The basic policy, too, is disjointed and unsystematic.

Concerning land-utilization plans, for example, England's City and Farm Village Planning Law of 1947 held up the doctrine that the right of development belonged to the state, and set forth the principle that development approval is needed for substantive changes in land use. This has been running through England's city planning system up to the present. Moreover, according to West Germany's Federal Construction Act, the system is built on a general denial of "freedom of construction," so the devising of detailed district plans became a precondition for changes in construction activity and land use, and the idea that "places without plans have no development" runs throughout.

In Japan's Basic Land Law, too, the basic principle of "utilization in accordance with appropriate use and plans" is stated in connection with land-utilization planning. But the concept of "appropriate" differs completely depending on how one views current land utilization, so there is a large margin for debate. The "high-level utilization of land" in the text of the law is an important key word of this problem; it seems to me that the term "appropriate" in the Basic Land Law was predicated on a higher level of land use. It was natural in a certain sense that "in which consideration is given to a good environment" was added to this in the course of Diet deliberation.

According to the basic policy, the basic doctrine of "land use in accordance with plans" is also limited to "times at which one recognizes that" the case of "devising a land-utilization plan in detail is especially necessary," so the idea of wishing to regulate land-utilization strictly and in detail is weaker than in the British and West German systems.

As basic policy the Basic Land Law cites points related to such things as land-utilization plans, regulation of land transactions, development profits, the land-tax system, land appraisal (added by Diet amendment) and land surveys, but how these were related and integrated is unclear. It establishes an obligation to strive for adjustment by "such things as guaranteeing the coherence of policy and preparation of an administrative organization," and established a Land-Policy Council and is trying to make use of it in the synthesis of policy. But with only this kind of obligation of effort and council, it will probably end up going no further than merely attempting the coherence of concrete policy at the stage of implementation.

A Long-term Policy Outlook Which Planning Supports

The important thing is to clarify the basic doctrine and to draw up a "long-term policy outlook" in accordance with it. What I mean by a long-term policy outlook is something like taking such things as the Japanese people's perception of land, the proper nature of enterprise activity related to land, the manner of advancing the land policies of the government and autonomous bodies and the land-tax system, as a whole, and considering the question of what kind of state one would have to approach in the future in order set out a path for solutions of the land problem.

Therefore, I shall consider the outline of a detailed and strict system of land-utilization planning which will shoulder one part of the long-term policy outlook. The pillars of the long-term policy outlook are: (1) detailed, strict land-use planning and regulations based on it; (2) an appropriate method of land appraisal; and (3) a fair and reasonable system of land tax. Supplementary policy means for realizing this are such things as regulation of land transactions, land registration, and land surveys and statistics.

How will the three pillars be integrated? The axis of integration will probably be a "detailed, strict system of land-use planning," which will plan land use in a detailed, strict manner, and control it by methods which possess sufficient power to regulate and guide. In accordance with this, the limit of approved land use and the maximum possible limit of land use will be decided on clearly for each piece of land, so it will be possible to make clear the maximum revenue from the land.

Things such as land uses termed "commercial" or "business" entering into residential districts, and the price of land rising inconceivably sharply for residential land will also cease to occur. Consequently, in regard to land appraisal (not limited to official) too, reasonable, unified appraisals will become possible by the revenue restoration method, so it will be possible to put into practice a fair and reasonable system of land tax in accordance with that.

When one says "detailed and strict," such things spring to mind as America's system of zoning for use, with more than 10 just for residential districts, and West Germany's detailed district plans, which even stipulate the direction in which the ridge of a building's roof faces. This kind of system may be desirable, but it is clear from circumstances up to now that it would be difficult to introduce it into Japan any time soon. Moreover, there is also the criticism that these are a bit too detailed and rigid, and the world trend is to guide land use using an easing of regulations, etc., as incentives.

However, the "easing of regulations" carried out since the Nakasone cabinet is a general easing of regulation of land use, so, contrary to what one might expect, it narrows the possibility for giving incentives. It is necessary for the new detailed and strict system of planning land use to be a system which is not rigid, in which guidance by incentives is possible, and which can be introduced into Japan.

In Japan the absoluteness of the right of land ownership is still strong, but in various foreign countries the present systems of land-use planning were produced by gradually restricting this. It seems to me that Japan's system is based on the perception that the right of land ownership has an unlimited "freedom of building." City planning contradicts this kind of perception, so it is regarded as a "bothersome entity" which adds restrictions. To change this kind of perception and ranking will be the basis of the new system's introduction. To begin with, it is necessary to make the doctrine an idea that the possibility of land's urban use was not originally a part of that land, but is bestowed by augmentation of social investment and by the use of surrounding land. This is a matter of the social and public nature of the right of land use, and leads to the recognition that by rights it belongs to society.

A System Suited to Japan Is Important

But if we take the Japanese people's perception and long established customs as premises, it will be difficult to promptly build Japan's system of land-use planning on wholesale rejection of the "freedom of building" in the manner of Europe and America. Therefore, I propose the idea of dividing the land uses that are currently recognized by law (building-to-lot ratio and building-volume-to-lot ratio and purpose for which a building will be used) into a part with building freedom and a part which is placed under strict control.

I shall call the former "standard land use," and the latter "licensed land use." Theoretically, standard land use amounts to saying that it does not violate the rights of the surrounding land, or does not place an excessive burden on basic city facilities.

The limitation of licensed land use is the "threshold value" which, if exceeded, will produce important problems for the environment and for improvement of the entire city, no matter how one plans in terms of districts. Rights (development rights) based on the scope of licensed land use can be separated, conceptually, from the right of land ownership. In the case of using "development rights," or in the case of having them, even if one does not use them, the return of commensurate development benefits to society or the public will be demanded.

A detailed, strict system of land-use planning based on this kind of idea would probably turn out to be a land-use planning system with the two stages of planning for overall land use (a Japanese-type F Plan) and planning for "new" districts (a Japanese-type B Plan).

The planning for overall land use would replace the present system of zoning by use. With the present system, land use is possible by what is, for all practical purposes, a notification system, in which, when the zone is specified, and such things as the use to which the licensed building will be put, its building to lot ratio and its building-volume-to-lot ratio are decided on, construction is confirmed if it is within those limits. That is, it specifies only the scope of "freedom of building".

Planning for overall land use would specify the contents of the two restrictions of standard land use and licensed land use in regard to a single zone. The former would be confirmation for construction; the latter would make it parcels which would become possible to use by means of a development license or a "new" district plan, so it would change the zoning system into a system with two meanings. "New" district planning is planning for the purpose of using licensed land-use parcels brought together in a specific district. In contrast to the fact that present district planning is planning in order to introduce a stricter system, "new" district planning is planning for the purpose of widening the possibilities of using land beyond that of the parcel in which building is free.

Now, too, there are the systems of redevelopment district planning and medium and high-rise housing urban development district planning, but these are specified only when recognized as particularly necessary. It differs greatly from the differing "elective and compulsory courses" when "new" district planning tries to use previous development rights.

With the introduction of this kind of system, the free-construction part will be greatly reduced compared with the present zoning system, so it is a kind of down-zoning (strengthening of zoning restrictions). It is not a matter of not being able to use the parcel with the highest level of use, there can be a development license or a devising of a "new" district plan, so its value as collateral is not harmed, and there is not a great restriction of rights. It would probably also be permissable to adopt a transition measure like being able to obtain a development license with comparative ease during a specified period (for example, 5 years).

By aiming excessively at "high-level use of land," Japan's system of land-use planning has sacrificed the quality of being planned and the quality of being able to guide. In order to restore the possibility of guiding to planning, this kind of Japanese-type down zoning is necessary by all means.

This down zoning has some points which are similar to France's PLD [principle of limit design] System, but the PLD is a system which establishes a uniform building-volume-to-lot-ratio restriction, and imposes fines on land use which exceeds it. The Japanese-type down zoning would be one part of the land-use planning system, and should probably be carried out with the idea of determining new land-use planning with the the down part matched to the real situation.

[14 Jul 90 p 26]

[Article by Tokai Bank chairman, Takaichi Kato: "Quickly Liquidate Tokyo Unipolar Concentration: Establish 'Provincial Offices' Throughout Country; Impose Tokyo-Office-Tax on Companies"]

[Text] [boxed item] (1) In the bout with the land problem, liquidation of Tokyo unipolar concentration is indispensable, combined with a new land policy.

(2) The pillar of the new land policy will be the tax system. Under the current system the cost of holding land is too low, moreover, whether it is the real estate tax or the inheritance tax, it has become a device which gives preferential treatment to ownership of land in Tokyo. We should solve these problems. Furthermore, revision of the Land and House Rent Law is also an urgent task.

(3) Concerning dispersal of Tokyo's functions, moving the capital would be effective, but even if one does not go that far, one need only establish "provincial offices" in major cities throughout the nation and transfer the nation's authority to them in a broad manner. It is necessary that expansion of public investment be actively directed toward correction of unipolar concentration and creation in the provinces of receptacles to receive what comes from Tokyo.

(4) Introduction of a Tokyo-office tax on companies located in Tokyo would also probably become an effective means in order to promote still further the dispersal to the provinces. [end box]

The current rise in the price of land began with commercial land in the heart of Tokyo, and went on spreading to residential land surrounding Tokyo, to the Osaka area, the Nagoya area and to core cities in the provinces. It is precisely Tokyo unipolar concentration which is considered to be the cause.

Therefore, first of all, solution of the problem of Tokyo unipolar concentration is important. Dispersal of capital functions is necessary for that, but for the provinces' part, preparation to receive the transfer is necessary. And it is necessary to also direct the expansion of public investment which was decided on by the SII talks, and which will climb to all of Y430 trillion over the next 10 years, toward dispersal of Tokyo unipolar concentration and construction of catastrophe-resistant cities.

The Tax System; Preferential Treatment of Land Ownership in Tokyo

The rise in the price of land up to now was brought about by land speculation in anticipation of a rise in land prices, added to the fact that demand for land grew. The rise in land prices, which was led by Tokyo, caused even the warm-hearted culture which had barely managed to remain in the provinces to be lost, and is producing the irreversible side effect of widening the gap between rich and poor.

For those who toil with sweat-beaded brows to not be rewarded, and for the assets of those who own land without giving it much thought to grow, not only causes a decline in the will to work, it is a problem which develops into social unrest, so it is necessary to attempt to solve it as soon as possible.

In regard to the land-related tax system, there is, for example, the problem of the tax on holding land. The current cost of holding land is too low. That feeling is particularly strong in regard to Tokyo. Therefore, landowners wait for the price of land to rise, and as a result the supply of land becomes short, so it has became a cause of the sharp rise in the price of land.

Whether it be real estate tax or inheritance tax, in the final analysis there is a problem in the point that supply and demand for Tokyo land is being distorted by treating land ownership in Tokyo in a preferential manner. The present arrangement of real estate tax, by which the higher the price of land, the lower the ratio of the real estate tax appraisal to the market price, has become preferential treatment toward owning land in Tokyo. The ratio of Tokyo's real-estate-tax appraisal to the market price is probably between one-half and ont-tenth that of the provinces.

The same kind of thing exists in inheritance tax. The inheritance tax on small residential lots is uniform throughout the country; there are measures to reduce the amount for land of 200 square meters or smaller, but there is a very large difference between the amount of the 200 square meter reduction in Tokyo, where land is ultra expensive, and that of the 200 square meter reduction in the provinces, so it is all too unfair.

Even granting that it is necessary to reduce the inheritance tax on residences in which people have been living since earlier times, there is no necessity to make the area of land to which the reduction is applied uniform throughout the country, to the point of ignoring the huge difference in land prices. That is conspicuously advantageous to Tokyo.

The abolition of such regulation on buildings as the maximum building-volume-to-lot ratio and the building-to-lot ratio at the same time as revision of the land-related tax system has been proposed, but rather than that, from the viewpoint of increasing the supply of houses and the effective use of land, it is precisely revision of the Land and House Rent Law which is an urgent task.

Furthermore, recently Tokyo political and financial circles are trying to newly develop the shores of Tokyo Bay in the name of increasing the supply of land. This would only accelerate Tokyo unipolar concentration, so I am opposed to it.

In order to correct Tokyo unipolar concentration, which is the true cause of the land problem, it will be necessary to tax one's ingenuity in various ways and expend great effort at the same time that one revises the land-related tax system.

In regard to preparations for catastrophe in particular, it must be said that they are inadequate, considering what the capital should be undertaking. According to the Tokai Bank, Inc.'s trial calculations, if an earthquake of the class of the great Kantoo earthquake were to occur in the Tokyo area, the amount of damage is estimated to reach approximately Y80 trillion. This is equivalent to approximately 20 percent of Japan's nominal gross national product.

Create a Dispersed-Type Country by a Fourth National General Development Plan

The reason for such a huge estimated damage is that all functions, including not only politics, economy and finance, but also art and education, are concentrated in Tokyo. To leave the current type of concentration of functions in Tokyo as it is, would not only increase the damage if something occurred in Tokyo, there is danger of bringing about great confusion and impact throughout Japan and to the world. The necessity for dispersal, in case of danger, is not only a matter of military facilities; it is precisely in culture, economy and society that it exists.

In order to correct Tokyo unipolar concentration, it is necessary to change the present Tokyo-centered administration. In order to do that it is important to aim at a "multipolar dispersed country" for which a national consensus will be obtained by a Fourth National Comprehensive Development Plan (Fourth Comprehensive Plan), and for each region of the whole nation to achieve distinctive development.

Why, in spite of this, does that plan not make any progress toward realization. The biggest problem is that, whether it be in the center or in the provinces, the ideas of the Fourth Comprehensive Plan are not being put to use fully. The biggest cause is that, far from merely not making a move to correct Tokyo unipolar concentration, people are finding a peaceful life in a system which approves that.

The advancement of the internationalization of the economy and the increasing importance of service industries can be given as factors in Tokyo unipolar concentration, and there is a large aspect of not having put into practice things which, by rights, should have been put into practice, to say nothing of the fact that the kind of administration which encourages Tokyo unipolar concentration is even now advancing.

Needless to say, the capital of America is Washington D. C.; its population is only 600,000. The economic centers are such places as New York, Chicago and Los Angeles, and its universities are in Boston, Stanford and so on. The automobile industry is located in Detroit.

In Germany, too, finance is Frankfurt, industry is Dusseldorf and so on; each city has developed by displaying its special characteristics. The university city of Heidelberg is also very famous. In this way Germany has become a beautiful nation which possesses history and romance.

Even in Italy, politics is Rome and economy is Milan.

The ones close to unipolar concentration are London and Paris, but even London has gradually transfered some functions of each agency from 1960 onward with the objectives of solving overcrowding and promoting the provinces. France is a nation with a strong tinge of centralized authority, but in 1982 it established a law dividing authority among the provinces, and is pushing ahead with changes in the provincial system. And the populations of both London and Paris are declining.

In short, the Tokyo area is the only place in which government, and economy, and art, and education and everything are concentrated, and in which concentration of population has continued. A trend toward concentration in the capital is also present in such developing Asian nations as the Republic of Korea, Thailand and Indonesia, but each country is wrestling with dispersal.

Movement of the capital would be effective in changing the Tokyo unipolar concentration. The direct effect of moving the capital would be to disperse the various government functions which are concentrated in Tokyo, and I think that the indirect effect because of the administration, itself, setting an example would also be great.

Even if one did not go so far as to move the capital, one need only disperse central authority to the provinces. To be precise, establishing "provincial offices," in which local agencies of the central government for each provincial area are lumped together and established in each block, such as, for example, the present location of the headquarters of the electric power company. And if one shifted to them all administrative authority excepting such things as diplomacy and defense, and, furthermore, decided to make it that such things as national tax would also be levied by the provincial office, not the central government, it is probable that a considerable brake would be put on Tokyo unipolar concentration.

To begin with, the cause of Tokyo unipolar concentration lies in the fact that by the central government agencies monopolizing all administrative authority, and making use of the power to license, in terms of the result, a policy is conducted which gives preferential treatment to Tokyo.

In Japan one needs a license in order to do anything, and central government offices have the licensing power for over 10,000 items. This is encouraging Tokyo unipolar concentration.

The establishment of the provincial offices is consistent with the spirit of the Fourth Comprehensive Plan, which is "formation of a multipolar, dispersed type nation." This is because in order to make a multipolar dispersed type nation a reality, it is necessary for each region to be liberated from the standardized administration, regulations, etc., of centralized authority, and, having grasped in fine detail the actual situation of the region, to go on implementing policy. In this sense, I think it will become possible, by the establishment of provincial offices, for each region to make use of its respective special characteristics and achieve development.

By a Dual System With Reform of the Tax System

Establishment of the provincial offices is also desirable from the viewpoint of preparing against administrative disorder because of catastrophe. As things stand now, it is probable that all Japan would end up being paralyzed if something were to happen in Tokyo.

The fact that there existed enterprises which established offices or places of business in Tokyo, or moved their headquarters there, seeking the advantages of Tokyo, is also a big cause of Tokyo unipolar concentration.

Therefore, creation of a "Tokyo-office tax" can be considered. If we levied a Tokyo-office tax as compensation for pursuing the benefits of Tokyo, and collected it as a national tax, a brake would probably be put on Tokyo unipolar concentration from that aspect too.

In solving the land problem, the two entities of correction of Tokyo unipolar concentration and revision of the land tax are important, and a considerable effect will probably emerge from this. Of course it is difficult to solve it without any accompanying pain whatsoever. But it has already reached the point where it can not be left for later.

At present, influenced by the licensing of the center, every region is losing its special characteristics and becoming a small Tokyo; it is becoming so that no matter where one looks throughout Japan it is all the same. It is the duty of our generation to transfer central authority to the provinces, correct Tokyo unipolar concentration, and preserve for future posterity a nation in which each region continues distinctive development, and which has recovered history and romance.

MONTSAME Reviews Articles for 3 Oct

OW0410122390 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 0955 GMT 4 Oct 90—FOR OFFICIAL USE ONLY

[Excerpts] Ulaanbaatar, 3 Oct (MONTSAME)—As the central Mongolian papers peport, the first session of the MPR [Mongolian People's Republic] State Small Hural (SSH) is continuing to discuss the question of forming the new government. A number of deputy ministers were already appointed but some candidates failed to gain the majority of support. The formation of the new government is still going on.

The ruling party paper "UNEN," under the section "MPRP [Mongolian People's Revolutionary Party] and Renewal" publishes an article on the MPRP policy towards the youth. It says that in the conditions of multi-party system the MPRP should eleborate a scientifically based and far-reaching policy of working with the youth which makes the majority of the population as well as discuss it at one of the plenary meetings of the MPRP Central Committee. [passage omitted] "UNEN" informs that at the invitation of the MPR Government, the national seminar of leading executives and experts of vocational training schools was attended by Professor Subborao, (principle, Teachers' Training Institute, Madras, UNESCO consultant on Asia), for a whole week he had been giving lectures to the participants in the seminar. [passage omitted]

In its pages the paper publishes a talk of its correspondent with the South Korean ambassador to the MPR Kwan Yong-sun. The ambassador notes the beginning of developing cultural relations as well as prospects of economic, scientific and technological cooperation between the two countries.

In its international section, the paper informs of the unification of Germany, situation in the Persian Gulf, other world news.

The trade union paper "HODOLMOR" publishes a report on the state farm "Ugtaal" where the harvesting increased 20 centners per hectare in average. [passage omitted]

MONTSAME Reviews Articles for 12 Oct

OW1310011390 Ulaanbaatar MONTSAME in English to BAKHTAR Kabul 1532 GMT 12 Oct 90—FOR OFFICIAL USE ONLY

[Excerpts] Ulaanbaatar, 12 Oct (OANA-MONTSAME)—An article headlined "Two Poles of Nihilism" is found in today's issue of the ruling party newspaper "UNEN". Its author, J. Chunagsuren, (candidate of philosoliphy) notes that of [words indistinct] of the people denying [words indistinct] by Mongolia upon the revolution in developing the national economy and new culture and [words indistinct] independence and soveregnity is increasing. Emphasizing that the edge of such criticism is directed to the ruling MPRP [Mongolian People's Revolutionary Party] J. Chunagsuren points out that while cherishing new thinking and national accord, the MPRP is able at the same time to defend its postion and authority.

The paper carries an interview with A. Badzarhuu, Mongolia's new finance minister. Mr. Badzarhuu notes that his ministry is working out a conception designed to renew its activities on the basis of democracy and justice as he stresses special rules and regulations have already been elaborated on legal guarantees for setting up a national market of securities as well as the sales and purchases of shares by enterprises, organizations, and individuals. Now auction of exchange was also organized for the first time. The ministry drafted and passed on for clearance a law on taxation which provides favourable terms for families. The newly-appointed minister considers necessary creation of mechanism designed to introduce market distribution as well as the formation of structure of national economy capable of ensuring the liquidation of budget [word indistinct] and a balanced economic development. A. Badzarhuu sees the [words indistinct] for liquidation of budget deficit in the increase of investment efficiency and intensification to produce the [words indistinct] that defence spending have been cut down by 20 rpt 20 million tugriks and this tendency is to continue. [passage omitted]

[Words indistinct] this is the name of a newspaper issued by the Mongolian Green Movement and the Mongolian Green Party in today's issue of the paper makes public an inteview of its correspondent with D. Batjargal, chairman of the State Committee for Environmental Protection, who stresses that the main object of this new organisation is to work out scientifcally substantiated policy of rational use of the country's national resources and to carry out the continuing of environmental protection. D. Batjargal notes that the environmentalist actvities in Mongolia are being emancipated gradually from command and administrative method and is switching to economic [word indistinct] Mr. D. Batjargal also emphasizes the importance of revising and renewing relevant legal acts in order to avoid the pollution of nature and environment under market economic system which is recently being introduced in Mongolia.

The youth paper "MONGOLYN DZALUUCHUD" writes about the atmosphere of total suspicion and distrust characteristic of the authoritarian regime of former state and party leader [words indistinct] the paper note in the early 1900s a serious party penalty was imposed on B. Uldziysurenn then secretary responsible of the "SHIJLEH UHAAM AM'DRAL" [as received] (SCIENCE A LIFE) Magazine, in punishment for publishng an interesting article. The sole "crime" committed by him appeared to be that the translation of the article had been made by the [word indistinct] R. Choinom persecuted for his "anti-party [words indistinct]. [passage omitted]